

In the opinion of Ice Miller LLP, Indianapolis, Indiana (“Bond Counsel”), under existing laws, regulations, judicial decisions and rulings, interest on the Tax-Exempt Bonds (as herein defined) is excludable from gross income under Section 103 of the Internal Revenue Code of 1986 (the “Code”), as amended, for federal income tax purposes. Such exclusion is conditioned on continuing compliance by the Authority and the Hospital with the Tax Covenants (hereinafter defined). In the opinion of Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Tax-Exempt Bonds (as defined herein) is exempt from income taxation in the State of Indiana. See “TAX MATTERS RELATING TO THE TAX-EXEMPT BONDS.” In the opinion of Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Taxable Bonds (as defined herein) is exempt from income taxation in the State of Indiana.

\$19,000,000

**Indiana Health and Educational Facility Financing Authority
Variable Rate Demand Revenue Bonds, Series 2006A
(Union Hospital, Inc. Project)**

\$13,000,000

**Indiana Health and Educational Facility Financing Authority
Taxable Variable Rate Demand Revenue Bonds, Series 2006B
(Union Hospital, Inc. Project)**

Dated: Date of Delivery

Price: 100%

Due: September 1, 2036

The Indiana Health and Educational Facility Financing Authority (the “Authority”) is issuing its \$19,000,000 Variable Rate Demand Revenue Bonds, Series 2006A (Union Hospital, Inc. Project) (the “Tax-Exempt Bonds”) and its \$13,000,000 Taxable Variable Rate Demand Revenue Bonds, Series 2006B (Union Hospital, Inc. Project) (the “Taxable Bonds” and together with the Tax-Exempt Bonds, the “Bonds”). The Tax-Exempt Bonds will be issued and secured under an Indenture of Trust and Pledge (the “Tax-Exempt Bond Indenture”) dated as of July 1, 2006 between the Authority and The Bank of New York Trust Company, N.A., as bond trustee (the “Tax-Exempt Bond Trustee”). The Series 2006B Bonds will be issued and secured under an Indenture of Trust and Pledge (the “Taxable Bond Indenture” and together with the Tax-Exempt Bond Indenture, the “Bond Indentures”) dated as of July 1, 2006 between the Authority and The Bank of New York Trust Company, N.A., as bond trustee (the “Taxable Bond Trustee” or as acting as bond trustee for both series of the Bonds, the “Bond Trustee”). The proceeds of each series of the Bonds will be loaned to Union Hospital, Inc. (the “Hospital”) pursuant to the respective Loan Agreement (as defined herein) and will be used to finance or reimburse certain costs of constructing, acquiring, renovating or equipping certain health facility property of the Hospital (the “Project”).

The principal of and interest on each series of the Bonds will be payable from draws by the Bond Trustee on an irrevocable direct-pay letter of credit for such series of the Bonds (each such letter of credit, a “Letter of Credit”) issued by

Fifth Third Bank

an Ohio banking corporation (“Fifth Third Bank”). Under the Letter of Credit for each series of the Bonds, Fifth Third Bank will be obligated to pay (i) the principal of and interest on such series of the Bonds, when due, and (ii) the purchase price of such series of the Bonds tendered for purchase, as described herein. Each Letter of Credit will expire on July 13, 2011, unless earlier terminated or extended as described herein. See “LETTERS OF CREDIT” and “BONDHOLDERS’ RISKS—Letters of Credit.”

Each series of the Bonds will be initially issued as fully registered bonds in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. See “BONDS—Book-Entry Only System.”

Each series of the Bonds will be in a Daily Mode, Weekly Mode, Flexible Mode, Semiannual Mode, Long Mode or Fixed Mode, which will determine the frequency and dates of payment of interest, the calculation of interest, the date of the determination and adjustment of the interest rate, and the terms upon which the Bonds may be tendered for purchase, all as described herein. Subject to certain conditions described herein, either series of the Bonds may be converted from any Interest Mode (except a Fixed Mode) then in effect to another Interest Mode. See “BONDS—Interest.”

Each series of the Bonds initially will be in the Weekly Mode, bearing interest from the date of delivery thereof at a variable rate per annum determined on a weekly basis, not to exceed 8% with respect to the Tax-Exempt Bonds and 10% with respect to the Taxable Bonds. Interest on each series of the Bonds is first payable on August 1, 2006, and thereafter on the first Business Day of each succeeding month unless and until the Bonds are converted to a different Interest Mode, at which time interest will be payable in accordance with the Interest Mode and interest Rate Period then applicable to the Bonds. See “BONDS—Interest.”

Each series of the Bonds is subject to optional or mandatory tender for purchase as described herein. See “BONDS—Purchase.” Each series of the Bonds is subject to redemption prior to maturity as described herein. See “BONDS—Redemption.”

The Bonds are special and limited obligations of the Authority, payable solely from and secured exclusively by the revenues and funds pledged thereto under the respective Bond Indenture. The Bonds do not represent or constitute a debt of the Authority, the State of Indiana or any political subdivision thereof within the meaning of the provisions of the Constitution or statutes of the State of Indiana or a pledge of the faith and credit of the Authority, the State of Indiana or any political subdivision thereof, or grant to the owners or holders thereof any right to have the Authority, the State of Indiana or any political subdivision thereof levy any taxes or appropriate any funds for the payment of the principal thereof or premium, if any, or interest thereon. The Authority has no taxing power. See “SECURITY FOR BONDS.”

Each series of the Bonds is offered solely on the basis of the Credit Facility and Liquidity Facility for such series of the Bonds (initially, the Letter of Credit for such series of Bonds) and the credit of the provider of such Credit Facility and Liquidity Facility (initially, Fifth Third Bank). The Hospital may under certain circumstances release any Credit Facility or Liquidity Facility. See “LETTERS OF CREDIT—Release and Substitution.”

There are risks associated with a purchase of the Bonds. See “BONDHOLDERS’ RISKS.”

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Each series of the Bonds is offered when, as and if issued by the Authority, subject to the unqualified approving opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Hospital by its counsel, Wilkinson, Goeller, Modesitt, Wilkinson & Drummy, LLP, Terre Haute, Indiana, for the Authority by its counsel, the Attorney General for the State of Indiana, and for Fifth Third Bank by its counsel, Barnes & Thornburg LLP, Indianapolis, Indiana. It is expected that the Bonds, in definitive form, will be available for delivery through DTC in New York, New York, on or about July 13, 2006.



The date of this Official Statement is July 6, 2006

REGARDING USE OF OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Indiana Health and Educational Facility Financing Authority (the "Authority"), Union Hospital, Inc. (the "Hospital"), Fifth Third Bank, an Ohio banking corporation ("Fifth Third Bank"), or Fifth Third Securities, Inc. (the "Underwriter"), to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information in this Official Statement is subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Hospital or Fifth Third Bank since the date as of which such information was given.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Neither the Authority, its counsel nor any of its members, agents, employees or representatives has reviewed this Official Statement or investigated the statements or representations contained herein, except for those statements relating to the Authority set forth under the captions "INTRODUCTORY STATEMENT—Authority," "AUTHORITY" and "LITIGATION—Authority." Except with respect to the information contained under such captions, neither the Authority, its counsel, nor any of its members, agents, employees or representatives makes any representation as to the completeness, sufficiency and truthfulness of the statements set forth in this Official Statement. Members of the Authority and any other person executing the Bonds are not subject to personal liability by reason of the issuance of the Bonds.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, any Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as an agreement or contract between the Authority and the purchasers or holders of any Bonds.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND INDENTURES OR MASTER INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE HOSPITAL AND FIFTH THIRD BANK AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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⁽¹⁾The combined financial statements of Union Hospital, Inc. and Subsidiary, included in Appendix B, represent the accounts and transactions of Union Hospital, Inc. (the “Hospital”), and certain of its subsidiaries. However, upon issuance of the Bonds (as hereinafter defined), the Hospital will be the only Member (as hereinafter defined) of the Obligated Group (as hereinafter defined) and no person (other than the Hospital) will be obligated to make any payments under the Loan Agreements (as hereinafter defined) or upon the Series 2006A-1 Obligation (as hereinafter defined) or upon the Series 2006B-1 Obligation (as hereinafter defined) or any other Obligations (as hereinafter defined) or to comply with any provisions of the Master Indenture (as hereinafter defined) or the Loan Agreements. See “INTRODUCTORY STATEMENT—Hospital.”

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OFFICIAL STATEMENT

\$19,000,000

**Indiana Health and Educational Facility Financing Authority
Variable Rate Demand Revenue Bonds, Series 2006A
(Union Hospital, Inc. Project)**

\$13,000,000

**Indiana Health and Educational Facility Financing Authority
Taxable Variable Rate Demand Revenue Bonds, Series 2006B
(Union Hospital, Inc. Project)**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and appendices hereto, provides information in connection with the issuance by the Indiana Health and Educational Facility Financing Authority (the "Authority") of its Variable Rate Demand Revenue Bonds, Series 2006A (Union Hospital, Inc. Project) (the "Tax-Exempt Bonds") and its Taxable Variable Rate Demand Revenue Bonds, Series 2006B (Union Hospital, Inc. Project) (the "Taxable Bonds" and together with the Tax-Exempt Bonds, the "Bonds").

This Introductory Statement is only a brief description of such information, and a full review should be made of this entire Official Statement, including the cover page and appendices hereto, as well as the documents described herein. This Introductory Statement is qualified by reference to this entire Official Statement.

Authority

The Authority is a public body politic and corporate of the State of Indiana (the "State"), not a State agency but an independent public instrumentality exercising essential public functions. Pursuant to Indiana Code 5-1-16, as amended (the "Act"), the Authority is authorized to issue, sell and deliver its bonds for the purpose of making loans to certain health care providers for the financing, refinancing or reimbursing of all or any part of the cost of certain health facility property and any other purposes authorized by the Act. See "AUTHORITY."

The Tax-Exempt Bonds will be issued by the Authority pursuant to the Act, certain resolutions adopted by the Authority and an Indenture of Trust and Pledge from the Authority to The Bank of New York Trust Company, N.A. as trustee (the "Tax-Exempt Bond Trustee"), dated as of July 1, 2006 (the "Tax-Exempt Bond Indenture").

The Taxable Bonds will be issued by the Authority pursuant to the Act, certain resolutions adopted by the Authority and an Indenture of Trust and Pledge from the Authority to The Bank of New York Trust Company, N.A. as trustee (the "Taxable Bond Trustee"), dated as of July 1, 2006 (the "Taxable Bond Indenture" and together with the Tax-Exempt Bond Indenture, the "Bond Indentures")

Use of Proceeds

The Authority will loan the proceeds from the issuance and sale of each series of the Bonds to Union Hospital, Inc., an Indiana nonprofit corporation (the "Hospital"), to: (i) finance or reimburse certain costs of constructing, acquiring, renovating or equipping certain health facility property to be used by the Hospital (such health facility property, the "Project"); (ii) obtain credit enhancement for the Bonds; (iii) pay certain costs associated with the issuance of the Bonds; and (iv) pay capitalized interest on the Bonds during the construction period for the Project. See "PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS."

Special and Limited Obligations

The Bonds are special and limited obligations of the Authority, payable solely from and secured exclusively by the revenues and funds pledged thereto under the applicable Bond Indenture. The Bonds do not represent or constitute a debt of the Authority, the State or any political subdivision thereof within the meaning of the provisions of the Constitution or statutes of the State or a pledge of the faith and credit of the Authority, the State or any political subdivision thereof, or grant to the owners or holders thereof any right to have the Authority, the State or any political subdivision thereof levy any taxes or appropriate any funds for the payment of the principal

thereof or premium, if any, or interest thereon. The Authority has no taxing power. See “SECURITY FOR BONDS.”

Letters of Credit

As security for the timely payment of the principal of and interest on the Tax-Exempt Bonds, and the timely payment of the Purchase Price of Tax-Exempt Bonds tendered for purchase, as described herein, Fifth Third Bank, an Ohio banking corporation (“Fifth Third Bank”), will issue to the Tax-Exempt Bond Trustee an irrevocable direct-pay letter of credit (the “Tax-Exempt Letter of Credit”) in an original stated amount equal to the aggregate principal amount of the Tax-Exempt Bonds outstanding plus 45 days’ interest on the principal amount of the Tax-Exempt Bonds outstanding, calculated at 8% per annum, pursuant to a Reimbursement and Pledge Agreement between Fifth Third Bank and the Hospital, dated as of July 1, 2006 (the “Tax-Exempt Reimbursement Agreement”). Similarly, as security for the timely payment of the principal of and interest on the Taxable Bonds, and the timely payment of the Purchase Price of Taxable Bonds tendered for purchase, as described herein, Fifth Third Bank, will issue to the Taxable Bond Trustee an irrevocable direct-pay letter of credit (the “Taxable Letter of Credit” and together with the Tax-Exempt Letter of Credit, the “Letters of Credit”) in an original stated amount equal to the aggregate principal amount of the Taxable Bonds outstanding plus 45 days’ interest on the principal amount of the Taxable Bonds outstanding, calculated at 10% per annum, pursuant to a Reimbursement and Pledge Agreement between Fifth Third Bank and the Hospital, dated as of July 1, 2006 (the “Taxable Reimbursement Agreement” and together with the Tax-Exempt Reimbursement Agreement, the “Reimbursement Agreements”). Each Letter of Credit will expire on July 13, 2011, unless earlier terminated or extended, as described herein. Pursuant to the Bond Indentures and the Reimbursement Agreements, the Hospital may extend either Letter of Credit or deliver to the Bond Trustee substitute liquidity and credit facilities, subject to certain conditions set forth in the Bond Indentures and the Reimbursement Agreements. See “LETTERS OF CREDIT” and “BONDHOLDERS’ RISKS—Letters of Credit.”

The Bonds of each series are offered solely on the basis of the Credit Facility and Liquidity Facility for the Bonds of such series (initially, the Letter of Credit for the Bonds of such series) and the credit of the provider of the Credit Facility and Liquidity Facility for the Bonds of such series (initially, Fifth Third Bank), and are not offered on the basis of the credit of the Hospital, the feasibility of the Project or any other security. This Official Statement contains only limited information about the Hospital. The Bonds of each series are offered only to investors who, in making their investment decision, rely solely on the Credit Facility and Liquidity Facility for the Bonds of such series (initially, the Letter of Credit for the Bonds of such series) and the credit of the provider of the Credit Facility and Liquidity Facility for the Bonds of such series (initially, Fifth Third Bank), and not on the credit of the Hospital, the feasibility of the Project or any other security. The Hospital may under certain circumstances release any Credit Facility or Liquidity Facility. See “LETTERS OF CREDIT—Release and Substitution.”

Hospital

The Hospital operates a 345-bed acute care facility in Terre Haute, Indiana and a 25-bed Critical Access Hospital in Clinton, Indiana, known as West Central Community Hospital. Upon the issuance of the Bonds, the only Member (as hereinafter defined) of the Obligated Group (as hereinafter defined) will be the Hospital. Appendix A contains certain information about the history, organization and financial performance of the Hospital.

The combined financial statements of Union Hospital, Inc. and Subsidiary, included in Appendix B, represent the accounts and transactions of the Hospital and certain of its subsidiaries. However, upon issuance of the Bonds, the Hospital will be the only Member of the Obligated Group (as hereinafter defined) and no person (other than the Hospital) will be obligated to make any payments under the Loan Agreements (as hereinafter defined) or upon the Series 2006A-1 Obligation (as hereinafter defined) or upon the Series 2006B-1 Obligation (as hereinafter defined) or any other Obligations (as hereinafter defined) or to comply with any provisions of the Master Indenture (as hereinafter defined) or the Loan Agreements.

Loan Agreements

Concurrently with the issuance of the Tax-Exempt Bonds, the Hospital will enter into a Loan Agreement with the Authority, dated as of July 1, 2006 (the "Tax-Exempt Loan Agreement"), pursuant to which the Authority will loan the proceeds from the sale of the Tax-Exempt Bonds to the Hospital. The Hospital will also enter into a Loan Agreement with the Authority, dated as of July 1, 2006 (the "Taxable Loan Agreement" and together with the Tax-Exempt Loan Agreement, the "Loan Agreements"), pursuant to which the Authority will loan the proceeds from the sale of the Taxable Bonds to the Hospital.

Series 2006A-1 Obligation

Pursuant to the Tax-Exempt Loan Agreement and the Series 2006A-1 Supplemental Indenture (as hereinafter defined), the Hospital will issue and deliver to the Bond Trustee, on behalf of the Authority, the Series 2006A-1 Obligation, dated the date of delivery thereof, in a principal amount equal to the aggregate principal amount of the Tax-Exempt Bonds (the "Series 2006A-1 Obligation").

The Series 2006A-1 Obligation will require the Hospital to make payments which, together with other moneys available therefor, will be sufficient to permit the Authority to pay the principal of and premium, if any, and interest on the Tax-Exempt Bonds when due.

Series 2006B-1 Obligation

Pursuant to the Taxable Loan Agreement and the Series 2006B-1 Supplemental Indenture (as hereinafter defined), the Hospital will issue and deliver to the Bond Trustee, on behalf of the Authority, the Series 2006B-1 Obligation, dated the date of delivery thereof, in a principal amount equal to the aggregate principal amount of the Taxable Bonds (the "Series 2006B-1 Obligation").

The Series 2006B-1 Obligation will require the Hospital to make payments which, together with other moneys available therefor, will be sufficient to permit the Authority to pay the principal of and premium, if any, and interest on the Taxable Bonds when due.

Master Indenture

The Hospital and J.P. Morgan Trust Company, National Association (as successor to Bank One Trust Company, National Association), as master trustee (the "Master Trustee"), have entered into a Master Trust Indenture, dated as of October 1, 1993, as supplemented and amended to the date hereof (such Master Trust Indenture, as so supplemented and amended, the "Original Master Indenture").

On November 3, 1993, the Hospital issued its Direct Note Obligation, Series 1993, under the Original Master Indenture, in a principal amount equal to \$43,960,000 (the "Series 1993 Obligation"), \$31,810,000 aggregate principal amount of which remains outstanding.

On May 23, 2002, the Hospital issued the Series 2002A-1 Obligation under the Original Master Indenture, as supplemented and amended by Supplemental Master Indenture No. 2 between the Hospital and the Master Trustee, dated as of May 1, 2002 ("Series 2002A-1 Supplemental Master Indenture") in a principal amount equal to \$16,000,000, \$14,800,000 principal amount of which remains outstanding. In addition, the Hospital issued and delivered to Fifth Third Bank the Series 2002A-2 Obligation, dated the date of delivery thereof (the "Series 2002A-2 Obligation"), to evidence the Hospital's obligations to Fifth Third Bank under a Reimbursement and Pledge Agreement, dated as of May 1, 2002 (the "Series 2002 Reimbursement Agreement"), pursuant to Supplemental Master Indenture No. 3 between the Hospital and the Master Trustee, dated as of May 1, 2002 ("Series 2002A-2 Supplemental Master Indenture").

On October 28, 2004, the Hospital issued the Series 2004A-1 Obligation under the Original Master Indenture, as supplemented and amended by Supplemental Master Indenture No. 4 between the Hospital and the Master Trustee, dated as of October 1, 2004 (the "Series 2004A-1 Supplemental Master Indenture") in a principal amount equal to \$8,000,000, \$7,750,000 aggregate principal amount of which remains outstanding. In addition, the Hospital issued and delivered to Fifth Third Bank the Series 2004A-2 Obligation, dated the date of delivery thereof (the "Series 2004A-2 Obligation"), to evidence the Hospital's Obligations to Fifth Third Bank under a Reimbursement Agreement, dated as of October 1, 2004 (the "Series 2004 Reimbursement Agreement"), pursuant to Supplemental Master Indenture No. 5 between the Hospital and the Master Trustee, dated as of October 1, 2004 (the "Series 2004A-2 Supplemental Master Indenture").

During fiscal year 2004, the Hospital restructured the debt service secured by the Series 1993 Obligation to exchange fixed rates for variable rates. See Note 7 in the combined financial statements of Union Hospital, Inc. and Subsidiary, included in Appendix B for a further description of this transaction.

Concurrently with the issuance of the Bonds, the Hospital will issue the Series 2006A-1 Obligation and the Series 2006B-1 Obligation under the Original Master Indenture, as supplemented and amended by the Supplemental Master Indenture No. 6 ("Series 2006A-1 Supplemental Indenture") and the Supplemental Master Indenture No. 8 ("Series 2006B-1 Supplemental Indenture") each between the Hospital and the Master Trustee, dated as of July 1, 2006. In addition, the Hospital will issue and deliver to Fifth Third Bank a Series 2006A-2 Obligation (the "Series 2006A-2 Obligation") and the Series 2006B-2 Obligation, each dated the date of delivery thereof, to evidence the Hospital's obligations to Fifth Third Bank under the Reimbursement Agreements, pursuant to the Supplemental Master Indenture No. 7 (the "Series 2006A-2 Supplemental Indenture") and the Supplemental Master Indenture No. 9 (the "Series 2006B-2 Supplemental Indenture"), respectively, each between the Hospital and the Master Trustee, dated as of July 1, 2006 (the Original Master Indenture, as supplemented and amended by Series 2006A-1 Supplemental Indenture, Series 2006A-2 Supplemental Indenture, the Series 2006B-1 Supplemental Indenture and the Series 2006B-2 Supplemental Indenture, the "Master Indenture").

Additional indebtedness may in the future be issued by the Hospital or any other Member of the Obligated Group under the Master Indenture (the Series 1993 Obligation, the Series 2002A-1 Obligation, the Series 2002A-2 Obligation, the Series 2004A-1 Obligation, the Series 2004A-2 Obligation, the Series 2006A-1 Obligation, the Series 2006A-2 Obligation, the Series 2006B-1 Obligation and the Series 2006B-2 Obligation and any such additional indebtedness, collectively, the "Obligations"), upon the terms and subject to the conditions provided in the Master Indenture. Any such additional Obligations will be on a parity with the Series 1993 Obligation, the Series 2002A-1 Obligation, the Series 2002A-2 Obligation, the Series 2004A-1 Obligation, the Series 2004A-2 Obligation, the Series 2006A-1 Obligation, the Series 2006A-2 Obligation, the Series 2006B-1 Obligation and the Series 2006B-2 Obligation. Each Obligation will be a joint and several obligation of the Hospital and any other persons who may in the future agree to become obligated for the Obligations in accordance with the Master Indenture (the Hospital and any such other persons, individually, a "Member" and, collectively, the "Obligated Group"). Currently, the Hospital is the only Member of the Obligated Group, and it is not currently anticipated that any other entities will become Members of the Obligated Group.

In the Master Indenture, each Member of the Obligated Group, to secure the payment of the principal of and premium, if any, and interest on the Obligations and the performance and observance of all of the covenants and conditions contained in the Obligations and the Master Indenture, grants to the Master Trustee a security interest in all accounts and assignable general intangibles now owned or hereafter acquired by any Member of the Obligated Group regardless of how generated, and all proceeds therefrom, whether cash or non-cash, all as defined in Article 9 of the Uniform Commercial Code, as amended, of the state in which such Member has its primary place of business; **excluding**, however, gifts, grants, bequests, donations and contributions to any Member heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payments required under the Master Indenture or on the Obligations. See "SECURITY FOR BONDS—Master Indenture."

The Master Indenture includes a variety of covenants, agreements and restrictions on the part of the Members of the Obligated Group with respect to such matters as rates and charges, insurance, disposition of property, and mergers and consolidations. See “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE” in Appendix C.

The Hospital and any future Members of the Obligated Group may, upon the satisfaction of certain conditions set forth in the Master Indenture, incur additional indebtedness, which may or may not constitute Obligations secured by the Master Indenture. See “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—PERMITTED ADDITIONAL INDEBTEDNESS” in Appendix C.

In the Bond Indentures, the Authority will assign and pledge to the Bond Trustee, for the ratable benefit of the owners of the Bonds, the Authority’s interest in the Loan Agreements (except for certain rights of the Authority with respect to indemnification and payment of administration fees and expenses), the Series 2006A-1 Supplemental Indenture, the Series 2006A-1 Obligation, the Series 2006B-1 Supplemental Indenture, and the Series 2006B-1 Obligation.. See “SECURITY FOR BONDS.”

Amendments to Master Indenture

The Hospital is seeking the consent of the purchasers of the Bonds to certain amendments to the Master Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE SUPPLEMENTAL MASTER INDENTURES – SERIES 2006A-1 SUPPLEMENTAL MASTER INDENTURE AND SERIES 2006B-1 SUPPLEMENTAL MASTER INDENTURE" in Appendix C.

Upon the issuance of the Bonds, the holders of the Series 2006A-1 Obligation, the holders of the Series 2006A-2 Obligation, the holders of the Series 2006B-1 Obligation and the holders of the Series 2006B-2 Obligation will, by their acceptance thereof, be deemed to have consented to such amendments. Such amendments will be effective upon the issuance of the Bonds.

Initial Interest Mode

The initial mode of interest on the Bonds will be the Weekly Mode, during which the Bonds will bear interest at the Weekly Rate.

The Weekly Rate with respect to each series of the Bonds will be established by Fifth Third Securities, Inc. (together with its successors in such capacity, the “Remarketing Agent”), not later than 2:00 p.m. New York, New York, time on each Thursday following the date of issuance of the Bonds (or, if Thursday is not a business day for the Remarketing Agent, the next preceding such business day). The Weekly Rate with respect to each series of the Bonds will be effective for the week beginning the next succeeding Friday and ending at the close of business the next succeeding Thursday. While the Letters of Credit are in effect, the Weekly Rate with respect to each series of the Bonds will be the least of (a) 15% per annum, (b) the maximum rate of interest specified in the applicable Liquidity Facility with respect to coverage for the interest component of the Purchase Price with respect to each series of the Bonds (calculated at 8% per annum for the Tax-Exempt Bonds and 10% per annum for the Taxable Bonds), (c) the maximum rate of interest specified in the applicable Credit Facility with respect to coverage for the payment of interest, or (d) the Market Rate, which is the rate that, in the sole judgment of the Remarketing Agent, is the minimum interest rate (in multiples of 1/8% or 1/20%) necessary to be borne by the Bonds to produce a bid for the Bonds on each Friday equal to 100% of the principal amount thereof plus accrued interest, if any, thereon. The Remarketing Agent will provide the then current Weekly Rate for each series of the Bonds to the respective owners of each series of the Bonds on request. The determination by the Remarketing Agent of a Weekly Rate with respect to each series of the Bonds will be conclusive and binding on the owners of each series of the Bonds. See “BONDS—Interest—Weekly Mode.”

Interest on each series of the Bonds bearing interest at a Weekly Rate is payable on the first Business Day of each calendar month, and the record date for such interest payment is the immediately preceding Business Day. The Paying Agent (defined below) will, upon written request, mail to each owner of the Bonds a monthly statement with respect to an Interest Payment Date specifying the Weekly Rates in effect with respect to each series of the Bonds since the preceding Interest Payment Date. See “BONDS—General” and “—Interest.”

The Bonds of each series bearing interest at a Weekly Rate will be purchased by The Bank of New York Trust Company, N.A. (the “Tender Agent”), on demand of the owners thereof on any Business Day by delivering (i) a telecopied, telexed or other written notice (which will be irrevocable and effective upon receipt) to the Notice Office of the Tender Agent by 3:00 p.m., New York, New York, time, on a Business Day, stating (a) the principal amount of such Bonds (or portion thereof in authorized denominations) to be purchased and (b) the Purchase Date, which must be a Business Day at least seven days after the notice is delivered, and (ii) the tendered Bonds properly executed for transfer to the Delivery Office of the Tender Agent by 12:00 noon, New York, New York, time on the Purchase Date. Bonds of each series bearing interest at a Weekly Rate that satisfy the requirements of the preceding sentence will be purchased by the Tender Agent, from and to the extent of the sources of funds described herein, at a Purchase Price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon at the Weekly Rate to, but not including, the relevant Purchase Date. See “BONDS—Purchase—Optional Tender.”

Bondholders’ Risks

There are risks associated with a purchase of the Bonds. See “BONDHOLDERS’ RISKS.”

Information in Official Statement

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Authority has not provided any information contained in this Official Statement (except for those statements relating to the Authority set forth under the captions “INTRODUCTORY STATEMENT—Authority,” “AUTHORITY” and “LITIGATION—Authority”), and does not certify as to the accuracy or sufficiency of and is not responsible for any other information provided herein.

Additional Information

Brief descriptions of the Authority, the Bonds, the Loan Agreements, the Series 2006A-1 Obligation, the Series 2006A-2 Obligation, the Series 2006B-1 Obligation, the Series 2006B-2 Obligation, the Bond Indentures, the Letters of Credit, the Reimbursement Agreements, the Master Indenture, the Series 2006A-1 Supplemental Indenture, the Series 2006A-2 Supplemental Indenture, the Series 2006B-1 Supplemental Indenture and the Series 2006B-2 Supplemental Indenture follow in this Official Statement. Information concerning the Hospital’s operations and business is contained in Appendix A. All descriptions herein of the Bonds, the Loan Agreements, the Series 2006A-1 Obligation, the Series 2006A-2 Obligation, the Bond Indentures, the Letters of Credit, the Reimbursement Agreements, the Master Indenture, the Series 2006A-1 Supplemental Indenture, the Series 2006A-2 Supplemental Indenture, the Series 2006B-1 Supplemental Indenture and the Series 2006B-2 Supplemental Indenture are only summaries and are qualified in their entirety by reference to each such document. Copies of the proposed forms of the Bonds, the Loan Agreements, the Series 2006A-1 Obligation, the Series 2006A-2 Obligation, the Series 2006B-1 Obligation, the Series 2006B-2 Obligation, the Bond Indentures, the Letters of Credit, the Reimbursement Agreements, the Master Indenture, the Series 2006A-1 Supplemental Indenture, the Series 2006A-2 Supplemental Indenture, the Series 2006B-1 Supplemental Indenture and the Series 2006B-2 Supplemental Indenture may be obtained from the Underwriter during the period of the offering, at Fifth Third Securities, Inc., 21 East State Street, Columbus, Ohio 43215. Subsequent to the closing, executed copies of the same may be examined at the principal office of the Bond Trustee, at 300 North Meridian Street, Indianapolis, Indiana 46204; Attention: Corporate Trust Services.

Both series of the Bonds are exempt from the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission. Neither the Authority, the Hospital, Fifth Third Bank nor any other person has undertaken in any agreement or contract to provide to the Bond Trustee, the Master Trustee, the Underwriter, the Remarketing Agent, any holder of any Bonds, any information repository or depository, the Municipal Securities Rulemaking Board or any other person, on a periodic basis or otherwise, any financial information, financial statements, operating data or other information or any notice of any event with respect to the Bonds.

Certain capitalized terms used herein are defined in Appendix C.

BONDS

The following is a summary of certain provisions of each series of the Bonds, which are summarized further in the table under the caption "SUMMARY OF INTEREST MODES" below. The Tax-Exempt Bonds and the Taxable Bonds are being issued under and separately secured by the Tax-Exempt Bond Indenture and the Taxable Bond Indenture, respectively. The Tax-Exempt Bonds and Taxable Bonds contain substantially similar provisions and are therefore being summarized together under this heading. All references to the Bonds and the Bond Indentures under this heading refer to both the Tax-Exempt Bonds and the Taxable Bonds and the Tax-Exempt Bond Indenture and the Taxable Bond Indenture, respectively. Certain capitalized terms used herein which are taken from the Master Indenture and the Bond Indentures have the meanings as set forth in Appendix C hereto.

So long as The Depository Trust Company ("DTC") acts as securities depository for the Bonds, as described under the caption "BONDS—Book-Entry Only System," all references herein to "Bondholder" or "Bondholders" are deemed to be Cede & Co., as nominee for DTC, and not DTC Participants, Indirect Participants or Beneficial Owners (as hereinafter defined).

General

The Bonds will mature on September 1, 2036, unless redeemed or otherwise paid prior to final maturity. The Bonds will bear interest from the date of their initial delivery or the most recent Interest Payment Date to which interest has been paid or provided for next preceding the date of authentication, at the rates per annum determined as described herein. The Bonds will initially be issued in the Weekly Mode. Thereafter, the Interest Mode for the Bonds may be converted to a Daily Mode, a Flexible Mode, a Semiannual Mode, a Long Mode or the Fixed Mode, as described herein.

The Bonds will be issuable in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof if issued during a Semiannual Mode, a Long Mode or the Fixed Mode, and otherwise will be issuable in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.

The Interest Payment Dates for interest accrued on the Bonds during a Daily Mode or Weekly Mode will be the first Business Day of each calendar month during which such Interest Mode is in effect (other than the first of such calendar months) and the first day of the first Rate Period after such Interest Mode is no longer in effect, and the Regular Record Date therefor will be the immediately preceding Business Day. The Interest Payment Dates for interest accrued on the Bonds during a Flexible Mode will be the first Business Day following each Rate Period, and the Regular Record Date therefor will be the last Business Day of such Rate Period. The Interest Payment Dates for interest accrued on the Bonds during a Semiannual Mode, Long Mode or Fixed Mode will be each March 1 or September 1 or the next succeeding Business Day thereafter if any such March 1 or September 1 is not a Business Day, and the Regular Record Date therefor will be the 15th day of the immediately preceding month.

The principal of and premium, if any, on the Bonds are payable to the registered holders thereof upon presentation and surrender of the Bonds at the principal corporate trust office of The Bank of New York Trust Company, N.A. (the "Paying Agent").

Interest due on the Bonds on each Interest Payment Date will, except as described below, be paid to the person appearing on the Bond Register as the registered owner thereof as of the Regular Record Date therefor: (i) by check or draft mailed on such Interest Payment Date to such owner's address appearing on the Bond Register or at such other address as is furnished by such owner to the Bond Registrar and Paying Agent in writing on or prior to such Regular Record Date; (ii) in the case of any owner of \$1,000,000 or more in aggregate principal amount of Bonds (and any owner of Bonds in the Flexible Mode) as of the close of business of the Bond Registrar on the Regular Record Date therefor, by wire transfer to such registered owner as of the close of business on such Interest Payment Date upon written notice from such registered owner containing the wire transfer address (which must be in the continental United States) one Business Day prior to such Regular Record Date; or (iii) in such other fashion as is agreed upon between the registered owner and the Paying Agent.

When issued and delivered, the Bonds will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, all payments of principal of and interest and premium, if any, on the Bonds will be made directly to DTC. See "Book-Entry Only System."

Interest

General. The Bonds will initially be issued in the Weekly Mode, during which they will bear interest at rates determined weekly, and payable on the first Business Day of each calendar month, as described below. Thereafter, the Interest Mode of the Bonds may be converted to a Daily Mode, a Flexible Mode, a Semiannual Mode, a Long Mode or the Fixed Mode, as elected by the Hospital, following which the Bonds will bear interest at the corresponding Daily Rate, Flexible Rate, Semiannual Rate, Long Rate or Fixed Rate, as described below. Any such conversion will be subject to receipt of an opinion of nationally recognized bond counsel to the effect that such conversion will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and that the change is authorized by applicable State law. Such conversion will result in the mandatory tender of Bonds for purchase as described below under "Purchase—Mandatory Tender." When the Bonds bear interest at a Daily Rate, Weekly Rate or Flexible Rate, interest will be computed on the basis of a 365-day or 366-day year, as the case may be, for actual days elapsed. When the Bonds bear interest at a Semiannual Rate, Long Rate or Fixed Rate, interest will be computed on the basis of a 360-day year, comprised of twelve 30-day months.

All Bonds of the same series must be in the same Interest Mode, share the same Rate Period and bear the same interest rate.

Daily Mode. While the Bonds are in a Daily Mode, the Bonds will bear interest at the Daily Rate, which is the least of (a) 15% per annum, (b) the maximum rate of interest specified in the Liquidity Facility with respect to coverage for the interest component of the Purchase Price, (c) the maximum rate of interest specified in the Credit Facility with respect to coverage for the payment of interest, or (d) the Market Rate determined by the Remarketing Agent by 9:30 a.m., New York, New York, time, on such day (or, if such day is not a business day for the Remarketing Agent, on the immediately preceding business day for the Remarketing Agent, or, if there is no such preceding business day in such Daily Mode, on the next succeeding such business day). Each Rate Period during a Daily Mode is the one day period beginning on the first day of such Daily Mode or any succeeding day during such Daily Mode.

Weekly Mode. While the Bonds are in a Weekly Mode, the Bonds will bear interest at the Weekly Rate, which is the least of (a) 15% per annum, (b) the maximum rate of interest specified in the Liquidity Facility with respect to coverage for the interest component of the Purchase Price (the Letter of Credit securing the Tax-Exempt Bonds specifies 8% per annum and the Letter of Credit securing the Taxable Bonds specifies 10% per annum), (c) the maximum rate of interest specified in the Credit Facility with respect to coverage for the payment of interest, or (d) the Market Rate determined by the Remarketing Agent by 2:00 p.m., New York, New York, time, on the business day for the Remarketing Agent immediately preceding the commencement of such Weekly Mode and on each subsequent Thursday (or, if Thursday is not a business day for the Remarketing Agent, the next preceding such

business day) during such Weekly Mode. Each Rate Period during a Weekly Mode is the one week or shorter period which begins on the first day of such Weekly Mode or any succeeding Friday during such Weekly Mode and ends on the immediately succeeding Thursday.

Flexible Mode. While the Bonds are in a Flexible Mode, the Bonds will bear interest at the Flexible Rate for a Rate Period for the Bonds, determined as described below. The Flexible Rate for any Rate Period is the least of (a) 15% per annum, (b) the maximum rate of interest specified in the Liquidity Facility with respect to coverage for the interest component of the Purchase Price, (c) the maximum rate of interest specified in the Credit Facility with respect to coverage for the payment of interest, or (d) the Market Rate for such Rate Period determined by 12:30 p.m., New York, New York, time, by the Remarketing Agent on the first business day for the Remarketing Agent in such Rate Period. The duration of each Rate Period for the Bonds in a Flexible Mode may be from seven to 270 days and will be determined by the Hospital as described below under “Determination of Rate Periods.”

Semiannual Mode. While the Bonds are in a Semiannual Mode, the Bonds will bear interest at the Semiannual Rate for a Rate Period, determined as described below. The Semiannual Rate for any Rate Period is the least of (a) 15% per annum, (b) the maximum rate of interest specified in the Liquidity Facility, if any, with respect to coverage for the interest component of the Purchase Price, (c) the maximum rate of interest specified in the Credit Facility, if any, with respect to coverage for the payment of interest, or (d) the Market Rate for such Rate Period determined by the Remarketing Agent on any day designated by it which is not more than 35 days preceding nor later than the last business day for the Remarketing Agent preceding such Rate Period. Each Rate Period during a Semiannual Mode is the six-month or shorter period which begins on the first day of such Semiannual Mode or any succeeding March 1 or September 1 and ends on the day prior to next succeeding March 1 or September 1 (whichever first occurs).

Long Mode. While the Bonds are in a Long Mode, the Bonds will bear interest at the Long Rate for a Rate Period, determined in the manner described below. The Long Rate for any Rate Period is the least of (a) 15% per annum, (b) the maximum rate of interest specified in the Liquidity Facility, if any, with respect to coverage for the interest component of the Purchase Price of the Bonds, (c) the maximum rate of interest specified in the Credit Facility, if any, with respect to coverage for the payment of interest, or (d) the Market Rate for such Rate Period determined by the Remarketing Agent on any date designated by it which is not more than 35 days preceding nor later than the last business day for the Remarketing Agent preceding such Rate Period. The duration of the Rate Periods for the Bonds in a Long Mode will be determined by the Hospital as described below under “Determination of Rate Periods,” and each such Rate Period must end on the day immediately preceding a September 1.

Fixed Mode. While the Bonds are in the Fixed Mode, the Bonds will bear interest at the Fixed Rate, determined in the manner described below. The Fixed Rate is the least of (a) 15% per annum, (b) the maximum rate of interest specified in the Liquidity Facility, if any, with respect to coverage for the interest component of the Purchase Price, (c) the maximum rate of interest specified in the Credit Facility, if any, with respect to coverage for the payment of interest, or (d) the Market Rate determined by the Remarketing Agent on any date designated by it which is not more than 35 days preceding nor later than the last business day for the Remarketing Agent preceding the Fixed Mode. The Fixed Mode, once commenced, will extend to the final maturity of the Bonds.

Market Rate Determination. The Remarketing Agent is required to make each determination of the Market Rate by determining the minimum interest rate (in multiples of 1/8% or 1/20%) necessary to be borne by the Bonds for the relevant Rate Period to produce a bid for the Bonds on the related Rate Adjustment Date equal to 100% of the principal amount thereof plus interest, if any, accrued thereon from the most recent Interest Payment Date.

If for any reason no Remarketing Agent has been appointed under the Bond Indentures on any Rate Determination Date, the Remarketing Agent fails to determine the Market Rate on such Rate Determination Date, or any Market Rate determined by the Remarketing Agent on such Rate Determination Date is determined by a court of competent jurisdiction to be invalid or unenforceable, the Market Rate to be determined on such Rate Determination Date will be determined as follows: (a) if the Rate Period during which such Market Rate is to be in

effect is greater than one-half year, the Market Rate for such Rate Period will be the percentage of the “11-Bond Municipal Bond Index” most recently published by *The Bond Buyer* or any successor publication set forth below under the longest period specified which does not exceed the duration of such Rate Period:

Rate Period equal to or longer than (in years):						
15	13	10	7	5	2	½
100%	97%	93%	86%	80%	70%	65%

or (b) if the Rate Period during which such Market Rate is to be in effect is equal to or less than one-half year, the Market Rate for such Rate Period will be 110% of the “Tax-Exempt Prime Commercial Paper Rate (30 Days)” most recently published by *The Bond Buyer* or any successor publication. If either of such indices ceases to be published, the most comparable published index designated by the Remarketing Agent will be used for such Market Rate determination.

Determination of Interest Modes. The Hospital is permitted to designate an Interest Mode for the Bonds, and, in the case of a Flexible Mode or Long Mode, to designate the duration of the initial Rate Period thereof or of a successive Rate Period in the Long Mode, by delivering its written order to the Bond Trustee and certain other persons not less than 35 days prior to the Rate Adjustment Date applicable to the new Rate Period in the designated Interest Mode. The first day of any such Interest Mode so elected by the Hospital must be: (a) an Interest Payment Date for interest accrued during any Daily Mode, Weekly Mode, Flexible Mode or Semiannual Mode then in effect; (b) if a Long Mode is then in effect, the last Interest Payment Date for the Rate Period then in effect; and (c) if the Interest Mode then in effect is a Flexible Mode and the Rate Period then in effect ends prior to such first day, the first Business Day of any month.

The Interest Mode, or the Rate Period during any Long Mode, on the Bonds will automatically change in accordance with any such order from the Hospital, but no such change may be made unless: (1) such order is accompanied by, and in addition there is delivered to the Bond Trustee on the first day of such Interest Mode or Rate Period, an opinion of nationally recognized bond counsel to the effect that such change will not adversely affect any exclusion from gross income of interest on the Bonds for federal income tax purposes and that such change is authorized by applicable State law; (2) if the Interest Mode to become effective is a Flexible Mode or a Long Mode, the duration of the first Rate Period is in accordance with the terms of the Bond Indentures; (3) all Bonds are converted to the same Interest Mode or the same new Rate Period in a Long Mode; (4) if the Interest Mode to become effective is the Fixed Mode, then the proceeds of the remarketing are sufficient to pay in full the Purchase Price of all Bonds; and (5) if a Credit Facility or a Liquidity Facility will be provided for the Interest Mode or the Rate Period to become effective, the Hospital provides evidence that the stated amount of the Credit Facility or the Liquidity Facility meets the requirements of the Bond Indentures.

Determination of Rate Periods. If the Hospital, in establishing a Flexible Mode or a Long Mode, or a Rate Period in the Long Mode with a duration different than that of the immediately preceding Rate Period, has designated the initial Rate Period for such Flexible Mode or Long Mode, or a new Rate Period for a Long Mode, such initial or new Rate Period will extend through the last day of such period. The duration of each successive Rate Period during such Flexible Mode and, if no designation is made for the initial Rate Period during a Flexible Mode or Long Mode, the duration of the initial Rate Period thereof will be the period determined by the Remarketing Agent, on the Rate Determination Date for such Rate Period, to be the Rate Period which in its judgment will result in the lowest interest cost on the Bonds over the ensuing 180 days (in the case of a Flexible Mode) or five years (in the case of Long Mode), subject to certain limitations in the Bond Indentures. If neither the Hospital nor the Remarketing Agent has established the duration of any Rate Period during a Flexible Mode or of the initial Rate Period during a Long Mode on or before the first Rate Determination Date therefor, the duration of such Rate Period will be the lesser of (a) 30 days (if during a Flexible Mode) or the period to the second succeeding

Interest Payment Date therefor (if during a Long Mode) or (b) the maximum period permitted by the Bond Indentures.

Each Rate Period during a Flexible Mode will commence on the first day of such Interest Mode or on the day immediately succeeding the immediately preceding Rate Period during such Flexible Mode, will end on a day immediately preceding a Business Day which occurs on or before the next redemption date or Maturity for Bonds then known, and will be not less than seven nor more than 270 days in length. If a Credit Facility or Liquidity Facility is in effect, no such Rate Period may exceed the difference between (a) with the greatest number of days' interest, at the maximum per annum rate of interest which may be borne by the Bonds during such Rate Period, which may be drawn or claimed under such Credit Facility or Liquidity Facility, and (b) the sum of (i) the greatest number of days which may transpire after a draw or claim thereunder to pay interest on the Bonds without reinstatement of such amount, and (ii) five days. However, the Rate Period may exceed the difference of such amounts to the extent that there is a Credit Facility then in effect which permits draws to be made thereunder at various times so that sufficient Eligible Monies will be available on each Interest Payment Date for the payment of accrued interest.

Each Rate Period during a Long Mode will commence on the first day of such Long Mode or on the day immediately succeeding the immediately preceding Rate Period during such Long Mode. The initial Rate Period of each Long Mode will expire on the day immediately preceding any September 1. Each successive Rate Period during such Long Mode will expire on the day immediately preceding the next succeeding September 1 which occurs the same number of 12-month periods after the first day of such Rate Period as the number of 12-month periods or portions thereof during the initial Rate Period in such Long Mode, unless the duration of a succeeding Rate Period is changed pursuant to the Bond Indentures.

Notices to Bondholders. The Bond Trustee will give each Bondholder not less than 30 days notice of the effective date of any change in Interest Mode or in the Rate Period of any Long Mode, in each case to be accompanied by a copy of the opinion of counsel required to be given in connection with the change as described above.

The holders of Bonds may ascertain the current Daily Rate, Weekly Rate or Flexible Rate by contacting the Remarketing Agent and may ascertain the current Semiannual Rate, Long Rate or Fixed Rate by contacting the Bond Trustee. The Paying Agent for interest accrued on Bonds in a Weekly Mode will mail to each holder of Bonds as of the relevant record date, upon request of such Bondholder, a monthly statement with respect to an Interest Payment Date specifying the interest rates in effect since the preceding Interest Payment Date. The Bond Trustee will mail notice of each Semiannual Rate, Long Rate or Fixed Rate to each holder of Bonds promptly after the Rate Determination Date on which such rate was determined.

Effect of Determinations. Each designation of an Interest Mode, each determination of the duration of a Rate Period and each determination of a Daily Rate, Weekly Rate, Flexible Rate, Semiannual Rate, Long Rate or the Fixed Rate will be conclusive and binding upon the Bondholders, the Bond Trustee, the Paying Agent, the Authority, the Hospital, the Credit Enhancer and the Bank, and neither the Hospital nor the Remarketing Agent will have any liability to any such person for any such determination, whether due to any error in judgment, failure to consider any information, opinion or resource, or otherwise.

If any change in the Interest Mode, or in the Rate Period for any Long Mode, designated by the Hospital may not be effected because of any failure to satisfy the conditions to such change contained in the Bond Indentures, the Interest Mode (and the Rate Period for such Long Mode) then in effect will remain unchanged and, except for any tender required by the provisions described below under "Purchase — Mandatory Tender," the Bondholders will be restored to their original positions.

Purchase

DTC. With respect to procedures to be followed by Beneficial Owners in connection with the tender of the Bonds held by Cede & Co., as nominee of DTC, see “Book-Entry Only System.” The following discussion is subject in its entirety to the provisions described therein with respect to any Bonds in the book-entry system of Cede & Co., as nominee of DTC, and the provisions of the Bond Indentures described hereunder will be applicable only to Cede & Co., as the registered owner of the Bonds, unless and until the Bonds are no longer held in such book-entry system.

Optional Tender. A holder of Bonds will have the right to have its Bonds (or portions thereof in authorized denominations) purchased by the Tender Agent during the Interest Modes, on the Purchase Dates, and with the prior notice and delivery described below, at a Purchase Price equal to the principal amount thereof plus accrued interest, but solely from and to the extent of proceeds of the remarketing of such Bonds, amounts drawn under any Liquidity Facility or, if such sources are insufficient, payments made by the Hospital under the Loan Agreements, the Series 2006A-1 Obligation or the Series 2006B-1 Obligation. Any such Bonds for which notice of optional tender has been received will be deemed to have been tendered and sold on the designated purchase date. See “Untendered Bonds”.

Payment for Bonds so purchased is required to be made in immediately available funds by 3:00 p.m., New York, New York, time, on the Purchase Date specified by the holder for purchase if the notice and tender requirements described below have been strictly complied with. Each such Bond must be endorsed in blank (or accompanied by a bond power executed in blank) by the holder. The Tender Agent may refuse to accept delivery of any Bond for which a proper endorsement or instrument of transfer has not been provided.

DAILY MODE. During a Daily Mode, any Bond may be tendered to the Tender Agent for purchase as described above on any Business Day by delivering:

- (1) notice by telephone and promptly confirmed in writing (which will be irrevocable and effective upon receipt) to the Remarketing Agent by 10:30 a.m., New York, New York, time, on such Purchase Date, stating the principal amount of such Bond (or portions thereof) to be purchased, and the certificate number thereof; and
- (2) such Bonds to the Tender Agent by 12:00 Noon, New York, New York, time, on the Purchase Date.

WEEKLY MODE. While the Bonds are in a Weekly Mode, any Bond may be tendered to the Tender Agent for purchase as described above on any Business Day by delivering:

- (1) a telecopied, telexed or other written notice (which will be irrevocable and effective upon receipt) to the Tender Agent by 3:00 p.m., New York, New York, time, on a Business Day, stating the principal amount of such Bond (or portion thereof) to be purchased, the certificate number thereof and the Purchase Date, which must be at least seven days after the notice is delivered; and
- (2) such Bond to the Tender Agent by 12:00 noon, New York, New York, time, on the Purchase Date.

SEMIANNUAL MODE AND LONG MODE. While the Bonds are in a Semiannual Mode or Long Mode, any Bond may be tendered to the Tender Agent for purchase on any Rate Adjustment Date by delivering:

- (1) a written notice (which will be irrevocable and effective upon receipt) to the Tender Agent not earlier than 30 days prior to or later than 3:00 p.m., New York, New York, time, on a Business Day 15 days prior to such Purchase Date, stating the principal amount of such Bond (or portion thereof) to be purchased, the certificate number thereof and the Purchase Date; and

- (2) such Bond (or portion thereof) to the Tender Agent at the time of delivery of such notice.

Any Bondholder which identifies itself as an investment company registered under the Investment Company Act of 1940, as amended, will be deemed to have satisfied such notice requirements if it has delivered such notice to the Bond Trustee by the relevant time specified above and will be deemed to have satisfied any such requirement for the delivery of Bonds during a Semiannual Mode or Long Mode if the Bond Trustee has received with such notice the irrevocable written election of such Holder so to present such Bonds (or portions thereof) for purchase and has received such Bonds or portions thereof on the Purchase Date.

Mandatory Tender. Each holder of any Bonds (other than the Hospital, any other Member of the Obligated Group, the Authority or the Bank as the holder of Bank Bonds) will be required to tender, and in any event will be deemed to have tendered, such Bonds to the Tender Agent for purchase at a Purchase Price equal to the principal amount thereof plus accrued interest, but solely from and to the extent of proceeds of the remarketing of such Bonds, amounts drawn under any Liquidity Facility or, if such sources are insufficient, payments made by the Hospital under the Loan Agreements, the Series 2006A-1 Obligation or the Series 2006B-1 Obligation on:

- (1) CREDIT FACILITY OR LIQUIDITY FACILITY RELEASES: the fifth Business Day prior to (a) the date on which the Credit Facility expires or terminates in accordance with its terms, is released at the option of the Hospital or is replaced as provided in the Bond Indentures, or (b) the date on which the Liquidity Facility expires by its terms, is released at the option of the Hospital or is replaced as provided in the Bond Indentures;

- (2) INTEREST MODE CHANGES: the first Business Day of each new Interest Mode designated by the Hospital, in each case whether or not such Interest Mode is effected; or

- (3) RATE ADJUSTMENT DATES: (a) each Rate Adjustment Date during a Flexible Mode, and (b) each Rate Adjustment Date for a Rate Period during a Long Mode when such Rate Period is of a different duration than the immediately preceding Rate Period in such Long Mode.

The Bond Trustee will give notice to each holder of such Bonds by mail, first-class postage prepaid, not less than 30 nor more than 60 days prior to any such mandatory tender date (unless tender is required due to the occurrence of a Rate Adjustment Date during a Flexible Mode, in which case notice is not required to be given).

Untendered Bonds. Any Bond (or portion thereof) (i) for which notice of optional tender has been given in accordance with the provisions of the Bond Indentures described under “Optional Tender” above, but which is not tendered for purchase by the required time, or (ii) which is required to be tendered as described under “Mandatory Tender” above, will be deemed to have been tendered and sold on the designated Purchase Date and, upon deposit in the Purchase Fund held under the Bond Indentures of an amount sufficient to pay the Purchase Price of such Bond on such Purchase Date, the holder of such Bond will not be entitled to any payment (including any interest accrued subsequent to such date) in respect thereof other than the Purchase Price for such Bond, and such Bond will no longer be entitled to the benefit of the Bond Indentures except for the purpose of payment of such Purchase Price.

SUMMARY OF INTEREST MODES

	<u>Daily Mode</u>	<u>Weekly Mode</u>	<u>Flexible Mode</u>
Interest Payment Date and Calculation Method	First Business Day of each calendar month; on actual days, over 365/366-day year	First Business Day of each calendar month; on actual days, over 365/366-day year	First Business Day following each Rate Period; on actual days, over 365/366-day year
Regular Record Date	Business Day preceding Interest Payment Date	Business Day preceding Interest Payment Date	Last Business Day of Rate Period
Rate Period	One day	One week	7 to 270 days
Rate Determination Date	On such day (or, if such day is not business day for Remarketing Agent, on immediately preceding business day for Remarketing Agent, or, if there is no such preceding business day in such Daily Mode, on next succeeding such business day) (by 9:30 a.m., New York, New York, time)	Business day for Remarketing Agent immediately preceding commencement of such Weekly Mode and each subsequent Thursday (or, if such day is not business day for Remarketing Agent, next preceding such business day) (by 2:00 p.m., New York, New York, time)	First business day for Remarketing Agent in such Rate Period (by 12:30 p.m., New York, New York, time)
Rate Adjustment Date	Each day	Each Friday	First day in each Rate Period
Notice of Interest Rates	Upon request, Paying Agent to mail monthly statement of interest rates to Bondholders; current interest rate may be obtained from Remarketing Agent	Upon request, Paying Agent to mail monthly statement of interest rates to Bondholders; current interest rate may be obtained from Remarketing Agent	Current interest rate may be obtained from Remarketing Agent
Optional Tender Dates	Any Business Day	Any Business Day at least seven days after delivery of notice	None
Notice of Optional Tender	Irrevocable notice of tender by telephone, promptly confirmed in writing, to Remarketing Agent by 10:30 a.m., New York, New York, time, on Purchase Date, and delivery of Bonds to Tender Agent by 12:00 noon, New York, New York, time, on Purchase Date	Irrevocable written notice of tender to Tender Agent by 3:00 p.m., New York, New York, time, on any Business Day seven days prior to Purchase Date, and delivery of Bonds to Tender Agent by 12:00 noon, New York, New York, time, on Purchase Date	None
Purchase Date for Mandatory Tender Upon Change in Interest Mode or Rate Period	First Business Day of each new Interest Mode, whether or not such new Interest Mode is effected	First Business Day of each new Interest Mode, whether or not such new Interest Mode is effected	Each Rate Adjustment Date during Flexible Mode, and first Business Day of each new Interest Mode, whether or not such new Interest Mode effected
Notice of Change in Interest Mode	Bond Trustee to mail notice to Bondholders by 30th preceding day	Bond Trustee to mail notice to Bondholders by 30th preceding day	Bond Trustee to mail notice to Bondholders by 30th preceding day

SUMMARY OF INTEREST MODES (continued)

	<u>Semiannual Mode</u>	<u>Long Mode</u>	<u>Fixed Mode</u>
Interest Payment Date and Calculation Method	Semiannually on March 1 and September 1; on 360-day year of 12 30-day months	Semiannually on March 1 and September 1; on 360-day year of 12 30-day months	Semiannually on March 1 and September 1; on 360-day year of 12 30-day months
Regular Record Date	15th day of month preceding Interest Payment Date	15th day of month preceding Interest Payment Date	15th day of month preceding Interest Payment Date
Rate Period	Six-month period ending day before March 1 or September 1	Any period ending day before September 1	Any period ending at Maturity
Rate Determination Date	Any date designated by Remarketing Agent not more than 35 days preceding nor later than last business day for Remarketing Agent preceding such Rate Period	Any date designated by Remarketing Agent not more than 35 days preceding nor later than last business day for Remarketing Agent preceding such Rate Period	Any date designated by Remarketing Agent not more than 35 days preceding nor later than last business day for Remarketing Agent preceding Fixed Mode
Rate Adjustment Date	First day in each Rate Period	First day in each Rate Period	First day of Fixed Mode
Notice of Interest Rates	Bond Trustee to mail notice of interest rate to Bondholders promptly after Rate Determination Date	Bond Trustee to mail notice of interest rate to Bondholders promptly after Rate Determination Date	Bond Trustee to mail notice of interest rate to Bondholders promptly after Rate Determination Date
Optional Tender Date	Any Rate Adjustment Date	Any Rate Adjustment Date	None
Notice of Optional Tender	Irrevocable written notice of tender and delivery of Bonds to Tender Agent not earlier than 30 days prior to or later than 3:00 p.m., New York, New York, time, on Business Day 15 days prior to Purchase Date ⁽¹⁾	Irrevocable written notice of tender and delivery of Bonds to Tender Agent not earlier than 30 days prior to or later than 3:00 p.m., New York, New York, time, on Business Day 15 days prior to Purchase Date ⁽¹⁾	None
Purchase Date for Mandatory Tender Upon Change in Interest Mode or Rate Period	First Business Day of each new Interest Mode, whether or not such new Interest Mode is effected	Each Rate Adjustment Date for Rate Period during Long Mode when such Rate Period is of different duration than preceding Rate Period in such Long Mode, and first Business Day of each new Interest Mode, in each case whether or not such new Interest Mode is effected	None
Notice of Change in Interest Mode	Bond Trustee to mail notice to Bondholders by 30th preceding day	Bond Trustee to mail notice to Bondholders by 30th preceding day	None

⁽¹⁾ Except for certain investment companies, as described in the last paragraph under “BONDS–Purchase–Optional Tender.”

Redemption

Optional Redemption. The Bonds are subject to redemption prior to their stated maturity at the option of the Hospital, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus interest, if any, accrued from the most recent Interest Payment Date, on:

- (i) any Business Day (in the case of redemption of all the Bonds, and otherwise on the first Business Day of each month) during a Daily Mode;
- (ii) any Rate Determination Date during a Weekly Mode;
- (iii) the first day of each Rate Period during a Flexible Mode, Semiannual Mode or Long Mode;
- (iv) the first day of the Fixed Mode; or
- (v) any date, in the case of Bank Bonds.

If the redemption date for any such redemption occurs while a Credit Facility is in effect with respect thereto, such redemption will be effected only from and to the extent of Eligible Moneys held for such purpose by the Paying Agent and the Bond Trustee.

During a Long Mode or a Fixed Mode, the Bonds will also be subject to redemption prior to their stated maturity, in whole or in part, on any date, at the option of the Hospital during any Rate Period described in the following table, if such redemption date occurs on or after the anniversary of the first day of such Rate Period specified in such table, at a redemption price initially equal to the percentage of the principal amount thereof specified for such Rate Period under Initial Redemption Price, declining by 0.5% of principal amount on each subsequent anniversary of the first permitted redemption date (but not below 100%), plus interest, if any, accrued from the most recent Interest Payment Date to the redemption date:

<u>Equal to or Greater Than</u>	<u>Rate Period</u>	<u>But Less Than</u>	<u>Anniversary (First Call Date)</u>	<u>Initial Redemption Price</u>
10 years		26 years	6 th	102.0%
7 years		10 years	3 rd	101.5
4 years		7 years	3 rd	101.0

If the Rate Period is less than four years, there will be no optional redemption during the Long Mode or Fixed Mode. If the redemption date for any such redemption occurs while a Credit Facility is in effect with respect thereto, such redemption will be effected only from and to the extent of Eligible Moneys held for such purpose by the Bond Trustee.

Notwithstanding the foregoing, upon the conversion of the Bonds to a Fixed Mode, the Remarketing Agent may determine different redemption provisions for the Bonds, including any requirement for a redemption premium, in order for it to determine the lowest fixed interest rate for the Bonds upon receipt by the Bond Trustee and the Hospital of an opinion of nationally recognized bond counsel stating that the determination of different redemption provisions is permitted under the Act and the Bond Indentures and will not impair the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Extraordinary Optional Redemption. While the Bonds are in a Semiannual Mode, Flexible Mode, Long Mode or Fixed Mode, the Bonds are subject to extraordinary redemption at any time by the Authority, at the direction of the Hospital, in whole or in part, in the event of any damage or destruction to or condemnation of any facilities of the Hospital, in an amount not in excess of the Net Proceeds of any insurance or condemnation award received, at a price equal to 100% of the principal amount thereof, plus interest, if any, accrued from the most recent Interest Payment Date to the redemption date, if such Net Proceeds exceed \$3,000,000 and the Hospital has determined not to use such Net Proceeds to repair, rebuild or replace such facilities. If the redemption date for any such redemption occurs while a Credit Facility is in effect with respect thereto, such redemption will be effected only from and to the extent of Eligible Moneys held for such purpose by the Bond Trustee.

Redemption Procedures. Notice of any redemption of Bonds will be given not less than 30 days nor more than 60 days prior to the date fixed for redemption. Such notice will be mailed by first-class mail to the registered owners of the Bonds to be redeemed as provided in the Bond Indentures, but failure to mail any such notice or any defect in any such notice or the mailing thereof, as it affects any particular Bond, will not affect the validity of the proceedings for such redemption of any other Bond.

As long as the book-entry system is in effect with respect to the Bonds, any redemption notice will be given to The Depository Trust Company, as holder of the Bonds. See “Book-Entry Only System.”

No redemption of less than all of the Bonds at the time outstanding will be made unless the aggregate principal amount of Bonds to be redeemed is equal to \$100,000 or any integral multiple of \$5,000 in excess thereof, provided that all such Bonds to be redeemed are in authorized denominations for the Interest Mode then in effect. In the event of a partial redemption of Bonds, the Bonds or portion thereof to be redeemed will be selected by lot in a method determined by the Bond Trustee. However, Bank Bonds will be selected prior to any other Bonds.

In the case of any Bond properly surrendered for partial redemption, the Bond Registrar will either: (i) authenticate and deliver a new Bond in exchange therefor, such new Bond to be in a denomination equal to the unredeemed principal amount of the surrendered Bond; or (ii) certify the amount and date of partial redemption upon the partial redemption certificate, if any, printed on the surrendered Bond and return such surrendered Bond.

If notice of redemption is so given and if sufficient monies are on deposit with the Paying Agent on the applicable redemption date to redeem the Bonds to be redeemed and to pay interest due thereon (which monies are Eligible Moneys to the extent such payments are required to be made under the Bond Indentures with Eligible Moneys), the Bonds so called will not after the applicable redemption date bear interest or be deemed to be outstanding under the provisions of the Bond Indentures.

In lieu of redeeming Bonds, the Bond Trustee may, at the request of the Hospital and with the consent to the Bank and the Credit Enhancer, use any funds otherwise available under the Bond Indentures for redemption of Bonds (which funds, if a Credit Facility is then in effect, must constitute Eligible Moneys) to purchase Bonds in the open market at a price not exceeding the redemption price then applicable under the Bond Indentures, such Bonds to be delivered to the Bond Registrar for cancellation. In the case of any such redemption or purchase of Bonds, the Authority will receive credit against its required Bond Fund deposits.

Transfer and Exchange

Any Bond may be transferred if endorsed for such transfer by the holder thereof and surrendered by such holder or such holder’s duly appointed attorney at the Delivery Office of the Bond Registrar, whereupon the Bond Registrar will authenticate and deliver a new Bond or Bonds equal in the aggregate to the principal amount of the surrendered Bond. Any Bond may be exchanged for one or more Bonds in the same principal amount but in different authorized denominations, by surrender thereof by the holder thereof or his duly appointed attorney at the Delivery Office of the Bond Registrar, whereupon a new Bond or Bonds will be authenticated and delivered to such holder. The Bond Registrar and Tender Agent are not required to transfer or exchange any Bond at any time following the mailing of any notice of redemption, if the Bonds to be transferred or exchanged have been called for

such redemption. No charge will be imposed in connection with any transfer or exchange, except for taxes or governmental charges related thereto.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc. the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Tender Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Hospital may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Hospital believes to be reliable, but neither the Hospital, the Authority, the Underwriter nor the Remarketing Agent takes any responsibility for the accuracy thereof.

SECURITY FOR BONDS

Special and Limited Obligations

The Bonds are special and limited obligations of the Authority, payable solely from and secured exclusively by the revenues and funds pledged thereto under the respective Bond Indenture. The Bonds do not

represent or constitute a debt of the Authority, the State or any political subdivision thereof within the meaning of the provisions of the Constitution or statutes of the State or a pledge of the faith and credit of the Authority, the State or any political subdivision thereof, or grant to the owners or holders thereof any right to have the Authority, the State or any political subdivision thereof levy any taxes or appropriate any funds for the payment of the principal thereof or premium, if any, or interest thereon. The Authority has no taxing power.

Bond Indentures

In the Tax-Exempt Bond Indenture, the Authority will assign to the Tax-Exempt Bond Trustee, as security for the payment of the principal or redemption price of and interest on the Tax-Exempt Bonds, and the performance of the covenants contained in the Tax-Exempt Bonds and the Tax-Exempt Bond Indenture, all right, title and interest of the Authority in and to the following:

- (a) the Tax-Exempt Loan Agreement, except for the payment for indemnification and administrative fees and expenses;
- (b) all funds and accounts established under the Tax-Exempt Bond Indenture (except the Purchase Fund and the Rebate Fund); and
- (c) Series 2006A-1 Supplemental Indenture and the Series 2006A-1 Obligation and all security therefor pursuant to the Master Indenture.

In the Taxable Bond Indenture, the Authority will assign to the Taxable Bond Trustee, as security for the payment of the principal or redemption price of and interest on the Taxable Bonds, and the performance of the covenants contained in the Taxable Bonds and the Taxable Bond Indenture, all right, title and interest of the Authority in and to the following:

- (a) the Taxable Loan Agreement, except for the payment for indemnification and administrative fees and expenses;
- (b) all funds and accounts established under the Taxable Bond Indenture (except the Purchase Fund); and
- (c) Series 2006B-1 Supplemental Indenture and the Series 2006B-1 Obligation and all security therefor pursuant to the Master Indenture.

Letters of Credit

As security for the timely payment of the principal of and interest on the Bonds of each series, and the timely payment of the Purchase Price of the Bonds of such series tendered for purchase, as described herein, Fifth Third Bank will issue to the Bond Trustee for the Bonds of such series an irrevocable direct-pay Letter of Credit relating to the Bonds of such series in an original stated amount equal to the aggregate principal amount of the Bonds of such series outstanding plus 45 days' interest on the principal amount of the Bonds of such series outstanding, calculated at 8% per annum for the Tax-Exempt Bonds and 10% per annum for the Taxable Bonds. Each Letter of Credit will expire on July 13, 2011, unless earlier terminated or extended, as described herein. Pursuant to the Bond Indenture and the Reimbursement Agreement for the Bonds of each series, the Hospital may extend the Letter of Credit for the Bonds of such series or deliver to the Bond Trustee substitute liquidity and credit facilities, subject to certain conditions set forth in such Bond Indenture and Reimbursement Agreement. See "LETTERS OF CREDIT" and "BONDHOLDERS' RISKS—Letters of Credit."

The provisions of the Letter of Credit for the Bonds of each series providing for draws to pay principal of and interest on the Bonds of such series and any substitute credit facility for the Bonds of each series are herein

referred to as the “Credit Facility” for the Bonds of such series and, as used herein, “Credit Enhancer” refers to Fifth Third Bank in such capacity and the obligor on any such substitute Credit Facility for the Bonds of such series. “Reimbursement Agreement” for the Bonds of each series may refer to the initial or any substitute agreement under which the Credit Facility for the Bonds of such series is issued. The provisions of the Letter of Credit for the Bonds of each series providing for draws to pay the Purchase Price of the Bonds of such series tendered for purchase and any substitute liquidity facility for the Bonds of such series is herein referred to as the “Liquidity Facility” for the Bonds of such series and, as used herein, “Bank” refers to Fifth Third Bank in such capacity and to the obligor on any such substitute Liquidity Facility for the Bonds of such series. See “LETTERS OF CREDIT.”

The Bonds of each series are offered solely on the basis of the Credit Facility and Liquidity Facility for the Bonds of such series (initially, the Letter of Credit for the Bonds of such series) and the credit of the provider of the Credit Facility and Liquidity Facility for the Bonds of such series (initially, Fifth Third Bank), and are not offered on the basis of the credit of the Hospital, the feasibility of the Project or any other security. This Official Statement contains only limited information about the Hospital. The Bonds of each series are offered only to investors who, in making their investment decision, rely solely on the Credit Facility and Liquidity Facility for the Bonds of such series (initially, the Letter of Credit for the Bonds of such series) and the credit of the provider of the Credit Facility and Liquidity Facility for the Bonds of such series (initially, Fifth Third Bank), and not on the credit of the Hospital, the feasibility of the Project or any other security. The Hospital may under certain circumstances release any Credit Facility or Liquidity Facility. See “LETTERS OF CREDIT—Release and Substitution.”

Loan Agreements

Pursuant to the Loan Agreements, the Hospital agrees to make payments to the Authority in such amounts and at such times as are sufficient to pay in full, when due, the principal of and premium, if any, and interest on the Series 2006A-1 Obligation and the Series 2006B-1 Obligation, as applicable, which amounts will be sufficient to pay the principal of and premium, if any, and interest on the respective series of the Bonds.

Series 2006A-1 Obligation

To evidence and secure its obligation under the Tax-Exempt Loan Agreement, the Hospital will issue to the Authority, pursuant to the Master Indenture, the Series 2006A-1 Obligation in a principal amount equal to the aggregate principal amount of the Tax-Exempt Bonds. The Authority will assign the Series 2006A-1 Obligation to the Tax-Exempt Bond Trustee. All payments by the Hospital of principal of and premium, if any, and interest on the Series 2006A-1 Obligation will be made to the Tax-Exempt Bond Trustee, and each payment will be made on or before the date when the corresponding payment is required to be made on the Tax-Exempt Bonds. The Series 2006A-1 Obligation will require payments by the Hospital which correspond to the amount of the principal of and premium, if any, and interest on the Tax-Exempt Bonds. The Series 2006A-1 Obligation will at all times be in fully registered form and will be non-transferrable except by written assignment to a successor trustee. The Series 2006A-1 Obligation and all other Obligations will be equally and ratably secured under the Master Indenture.

Under certain circumstances described in the Tax-Exempt Bond Indenture, the Series 2006A-1 Obligation may be exchanged for the obligations of a different obligated group. This could, under certain circumstances, lead to the substitution of an obligation backed by an obligated group that is financially and operationally different than the Hospital and any then-existing other Members of the Obligated Group. The new obligated group could have substantial debt outstanding that would rank on a parity with the substitute obligations and the substitution could result in weaker credit or security for the Bondholders. The new obligated group may also have substantially different covenants than the covenants under the Master Indenture. The covenants under the Master Indenture would no longer be binding on the present Obligated Group. Such exchange could adversely affect the market price for or marketability of the Tax-Exempt Bonds. In order to so exchange the Series 2006A-1 Obligation, the Obligated Group must meet certain requirements. See “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE SUPPLEMENTAL MASTER INDENTURES—SERIES 2006A-1 SUPPLEMENTAL INDENTURE” in Appendix C hereto.

Series 2006B-1 Obligation

To evidence and secure its obligation under the Taxable Loan Agreement, the Hospital will issue to the Authority, pursuant to the Master Indenture, the Series 2006B-1 Obligation in a principal amount equal to the aggregate principal amount of the Taxable Bonds. The Authority will assign the Series 2006B-1 Obligation to the Taxable Bond Trustee. All payments by the Hospital of principal of and premium, if any, and interest on the Series 2006B-1 Obligation will be made to the Taxable Bond Trustee, and each payment will be made on or before the date when the corresponding payment is required to be made on the Taxable Bonds. The Series 2006B-1 Obligation will require payments by the Hospital which correspond to the amount of the principal of and premium, if any, and interest on the Taxable Bonds. The Series 2006B-1 Obligation will at all times be in fully registered form and will be non-transferrable except by written assignment to a successor trustee. The Series 2006B-1 Obligation and all other Obligations will be equally and ratably secured under the Master Indenture.

Under certain circumstances described in the Taxable Bond Indenture, the Series 2006B-1 Obligation may be exchanged for the obligations of a different obligated group. This could, under certain circumstances, lead to the substitution of an obligation backed by an obligated group that is financially and operationally different than the Hospital and any then-existing other Members of the Obligated Group. The new obligated group could have substantial debt outstanding that would rank on a parity with the substitute obligations and the substitution could result in weaker credit or security for the Bondholders. The new obligated group may also have substantially different covenants than the covenants under the Master Indenture. The covenants under the Master Indenture would no longer be binding on the present Obligated Group. Such exchange could adversely affect the market price for or marketability of the Bonds. In order to so exchange the Series 2006B-1 Obligation, the Obligated Group must meet certain requirements. See “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE SUPPLEMENTAL MASTER INDENTURES—SERIES 2006B-1 SUPPLEMENTAL INDENTURE” in Appendix C hereto.

Master Indenture

On November 3, 1993, the Hospital issued the Series 1993 Obligation under the Original Master Indenture, in a principal amount equal to \$43,960,000, \$31,810,000 aggregate principal amount of which remains outstanding.

On May 23, 2002, the Hospital issued the Series 2002A-1 Obligation under the Original Master Indenture, as supplemented and amended by the Series 2002A-1 Supplemental Master Indenture in a principal amount equal to \$16,000,000, \$14,800,000 of which remains outstanding. In addition, the Hospital issued and delivered to Fifth Third Bank the Series 2002A-2 Obligation, dated the date of delivery thereof, to evidence the Hospital's obligations to Fifth Third Bank under the Series 2002 Reimbursement Agreement, pursuant to the Series 2002A-2 Supplemental Master Indenture.

On October 28, 2004, the Hospital issued the Series 2004A-1 Obligation under the Original Master Indenture, as supplemented and amended by the Series 2004A-1 Supplemental Master Indenture in a principal amount equal to \$8,000,000, \$7,750,000 aggregate principal amount of which remains outstanding. In addition, the Hospital issued and delivered to Fifth Third Bank and Series 2004A-2 Obligation, dated the date of delivery thereof, to evidence the Hospital's obligations to Fifth Third Bank under the 2004 Reimbursement Agreement, pursuant to the Series 2004A-2 Supplemental Master Indenture.

During fiscal year 2004, the Hospital restructured the debt service secured by the Series 1993 Obligation to exchange fixed rates for variable rates. See Note 7 in the combined financial statements of Union Hospital, Inc. and Subsidiary in Appendix B for a further description of this transaction.

Concurrently with the issuance of the Bonds, the Hospital will issue the Series 2006A-1 Obligation and the Series 2006B-1 Obligation under the Original Master Indenture, as supplemented and amended by the Series 2006A-1 Supplemental Indenture and the Series 2006B-2 Supplemental Indenture. In addition, the Hospital will issue and deliver to Fifth Third Bank the Series 2006A-2 Obligation and the Series 2006B-2 Obligation to evidence

the Hospital's obligations to Fifth Third Bank under the Reimbursement Agreements, pursuant to the Series 2006A-2 Supplemental Indenture and the Series 2006B-2 Supplemental Indenture, respectively.

Additional Obligations may in the future be issued by the Hospital or any other Member of the Obligated Group under the Master Indenture, upon the terms and subject to the conditions provided in the Master Indenture. Any such additional Obligations will be on a parity with the Series 1993 Obligation, the Series 2002A-1 Obligation, the Series 2002A-2 Obligation, the Series 2004A-1 Obligation, the Series 2004A-2 Obligation, the Series 2006A-1 Obligation, the Series 2006A-2 Obligation, the Series 2006B-1 Obligation and the Series 2006B-2 Obligation. Each Obligation will be a joint and several obligation of the Hospital and any other Members of the Obligated Group. Currently, the Hospital is the only Member of the Obligated Group, and it is not currently anticipated that any other entities will become Members of the Obligated Group.

In the Master Indenture, each Member of the Obligated Group, to secure the payment of the principal of and premium, if any, and interest on the Obligations and the performance and observance of all of the covenants and conditions contained in the Obligations and the Master Indenture, grants to the Master Trustee a security interest in all accounts and assignable general intangibles now owned or hereafter acquired by the Person involved regardless of how generated, and all proceeds therefrom, whether cash or non-cash, all as defined in Article 9 of the Uniform Commercial Code, as amended, of the state in which such Person has its primary place of business; *excluding*, however, gifts, grants, bequests, donations and contributions to such Person heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payments required on such Person's Indebtedness (such accounts, intangibles and proceeds, subject to such exclusions, "Unrestricted Receivables"). However, any Unrestricted Receivables which consist of accounts receivable may be: (i) sold despite and free of such security interest if such sale is in accordance with the provisions of the Master Indenture and is on commercially reasonable terms and any lien created under the Master Indenture on any such Unrestricted Receivables will terminate and be released immediately upon any such sale; or (ii) subjected to a lien arising as a result of the sale of such accounts receivable with or without recourse, provided that the principal amount of indebtedness secured by any such lien does not exceed the aggregate face amount of such accounts receivable so sold.

The Master Indenture includes a variety of covenants, agreements and restrictions on the part of the Members of the Obligated Group with respect to such matters as rates and charges, insurance, disposition of property, and mergers and consolidations. See "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" in Appendix C.

The Hospital and any future Members of the Obligated Group may, upon the satisfaction of certain conditions set forth in the Master Indenture, incur additional indebtedness, which may or may not constitute Obligations secured by the Master Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—PERMITTED ADDITIONAL INDEBTEDNESS" in Appendix C.

Only institutions meeting the conditions set forth in the Master Indenture may become Members of the Obligated Group under the Master Indenture and may issue Obligations thereunder. The Hospital and any other Members of the Obligated Group will be jointly and severally liable under the Master Indenture for the repayment of all Obligations issued under the Master Indenture. Upon satisfaction of the conditions set forth in the Master Indenture, any Member of the Obligated Group, including the Hospital, may withdraw from the Obligated Group and be released from its obligations under the Master Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—ENTRANCE INTO THE OBLIGATED GROUP" and "—CESSATION OF STATUS AS A MEMBER OF THE OBLIGATED GROUP" in Appendix C.

Amendments to Master Indenture

The Hospital is seeking the consent of the purchasers of the Bonds to certain amendments to the Master Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE SUPPLEMENTAL MASTER INDENTURES – SERIES 2006A-1 SUPPLEMENTAL MASTER INDENTURE AND SERIES 2006B-1 SUPPLEMENTAL MASTER INDENTURE" in Appendix C.

Upon the issuance of the Bonds, the holders of the Series 2006A-1 Obligation, the Series 2006A-2 Obligation, the Series 2006B-1 Obligation and the Series 2006B-2 Obligation will, by their acceptance thereof, be deemed to have consented to such amendments. Such amendments will be effective upon the issuance of the Bonds.

LETTERS OF CREDIT

Letters of Credit

The following is a brief summary of certain provisions of the Letters of Credit. Each Letter of Credit provides security only for the respective series of the Bonds for which such Letter of Credit is issued. This summary does not purport to be comprehensive and reference is made to the Letters of Credit, copies of which are available for examination at the office of the Bond Trustee.

The Tax-Exempt Letter of Credit irrevocably authorizes the Tax-Exempt Bond Trustee to draw on Fifth Third Bank, for the account of the Hospital, in strict accordance with the terms and conditions thereof and subject to increases and reductions in amounts as hereinafter described, an aggregate amount not exceeding \$19,187,398 (the "Tax-Exempt Stated Amount"), of which (a) an aggregate amount not exceeding \$19,000,000 may be drawn upon (i) for payment of the unpaid principal amount of the Tax-Exempt Bonds and (ii) for payment of that portion of the purchase price of the Tax-Exempt Bonds corresponding to the principal thereof when delivered to the Remarketing Agent for remarketing, and (b) an aggregate amount not exceeding \$187,398 may be drawn upon (i) for payment of up to 45 days accrued interest on the Tax-Exempt Bonds at a maximum interest rate of 8% per annum and (ii) for payment of that portion of the purchase price of the Tax-Exempt Bonds corresponding to the accrued interest thereon when delivered to the Remarketing Agent for remarketing.

The Taxable Letter of Credit irrevocably authorizes the Taxable Bond Trustee to draw on Fifth Third Bank, for the account of the Hospital, in strict accordance with the terms and conditions thereof and subject to increases and reductions in amounts as hereinafter described, an aggregate amount not exceeding \$13,160,274 (the "Taxable Stated Amount" and, together with the Tax-Exempt Stated Amount, the "Stated Amount"), of which (a) an aggregate amount not exceeding \$13,000,000 may be drawn upon (i) for payment of the unpaid principal amount of the Taxable Bonds and (ii) for payment of that portion of the purchase price of the Taxable Bonds corresponding to the principal thereof when delivered to the Remarketing Agent for remarketing, and (b) an aggregate amount not exceeding \$160,274 may be drawn upon (i) for payment of up to 45 days accrued interest on the Taxable Bonds at a maximum interest rate of 10% per annum and (ii) for payment of that portion of the purchase price of the Taxable Bonds corresponding to the accrued interest thereon when delivered to the Remarketing Agent for remarketing.

If any drawing is presented to Fifth Third Bank by 11:00 a.m., New York, New York, time, on any business day, payment will be made, in immediately available funds, by 2:30 p.m., New York, New York, time, on the next business day following presentment; otherwise, payment will be made, in immediately available funds, by 2:30 p.m., New York, New York, time, on the second business day following presentment.

Upon payment of a drawing under the Letter of Credit for the Bonds of either series, the Stated Amount of such Letter of Credit will be reduced by the amount of such payment, except as follows:

(a) Upon receipt by Fifth Third Bank of any Bonds of such series delivered by the Bond Trustee for the Bonds of such series, registered in the name of the Hospital as pledgor and in Fifth Third Bank's name as pledgee (or, if the Bonds of such series are book-entry only, upon the notation in the Bond register for the Bonds of such series of Fifth Third Bank as the beneficial owner of any Bonds of such series), in connection with any drawing made for that portion of the purchase price of such Bonds attributable to principal, Fifth Third Bank's obligation to honor draws for payment under such Letter of Credit with respect to the payment of principal, or the portion of purchase price corresponding to principal, of such Bonds will be reinstated.

(b) In connection with any drawing made for payment of interest on the Bonds of such series or that portion of the purchase price of any Bonds of such series attributable to accrued interest (an "Interest Drawing"), if the Bond Trustee for the Bonds of such series has not received from Fifth Third Bank within five days from the date of such Interest Drawing a notice from Fifth Third Bank indicating Fifth Third Bank has not reinstated such Letter of Credit for all amounts drawn under such Interest Drawing, such Bond Trustee's right to draw on Fifth Third Bank by an Interest Drawing will be automatically reinstated in such amount.

In addition, upon receipt from the Bond Trustee for the Bonds of either series of a written certificate stating that a payment of principal of the Bonds of such series has been made from funds other than amounts drawn under the Letter of Credit for the Bonds of such series, the Stated Amount of such Letter of Credit will be reduced by the amount of the reduction set forth in such certificate.

The Letter of Credit for the Bonds of each series will automatically terminate upon the earliest of:

(i) the making by the Bond Trustee for the Bonds of such series of the final drawing available to be made thereunder;

(ii) Fifth Third Bank's receipt of a written certificate signed by the Bond Trustee for the Bonds of such series and the Hospital stating that no Bonds of such series are outstanding;

(iii) Fifth Third Bank's receipt of a written certificate signed by the Bond Trustee for the Bonds of such series and the Hospital stating that an alternate Credit Facility or alternate Liquidity Facility for the Bonds of such series has been accepted by such Bond Trustee; or

(iv) July 13, 2011 (the "Expiration Date").

Prior to the Expiration Date of the Letter of Credit for the Bonds of either series, Fifth Third Bank may, in its sole discretion, extend such Expiration Date from time to time at the request of the Hospital. Any date to which any Expiration Date has been so extended may be extended in a like manner.

For a description of some of the risks associated with the Letters of Credit, see "BONDHOLDERS' RISKS—Letters of Credit."

Fifth Third Bank

Certain information about Fifth Third Bank is included in Appendix E.

Reimbursement Agreements

The following is a brief summary of certain provisions of the Reimbursement Agreements. This summary does not purport to be comprehensive and reference is made to the Reimbursement Agreements, copies of which are available for examination at the office of the Bond Trustee.

Reimbursement; Fees. Under the Reimbursement Agreement for each Letter of Credit, the Hospital agrees to reimburse Fifth Third Bank for each draw under such Letter of Credit. In addition, the Hospital agrees to pay various fees and expenses of Fifth Third Bank.

Representations and Warranties; Covenants. In each Reimbursement Agreement, the Hospital makes various representations and warranties to Fifth Third Bank. The Hospital also undertakes various affirmative and negative covenants to Fifth Third Bank with respect to the Hospital's legal, business and financial affairs, including without limitation covenants to maintain certain financial ratios.

Events of Default. Each of the following events is an event of default under the Reimbursement Agreements for each Letter of Credit:

(a) The Hospital fails to pay any amount owing under such Reimbursement Agreement or any of certain related instruments (such Reimbursement Agreement and such related instruments, the "Letter of Credit Documents") on the due date thereof;

(b) The Hospital fails to observe or perform any covenant, condition or agreement set forth in such Reimbursement Agreement and, in certain circumstances, such failure continues unremedied for 30 days after written notice thereof to the Hospital by Fifth Third Bank;

(c) Any default under any Letter of Credit Document related thereto that is not cured within any applicable grace period set forth therein;

(d) The occurrence of any default or event of default under any of certain instruments related to the Bonds of the series for which such Letter of Credit was issued (such instruments, the "Bond Documents"), or the obligation to make payment on the Bonds of such series is accelerated for any reason;

(e) The dissolution or liquidation of the Hospital, or failure by the Hospital promptly to lift any execution, garnishment or attachment of such consequences as will materially impair its ability to make payments when due under such Reimbursement Agreement, or the entry of an order for relief by a court of competent jurisdiction in any proceeding for the liquidation or reorganization of the Hospital, or the filing of a petition by the Hospital under the provisions of any bankruptcy or insolvency act or under any similar act which may be hereafter enacted, or the filing of a petition against the Hospital under the provisions of any bankruptcy or insolvency act or under any similar act which may hereafter be enacted, which is not dismissed within 60 days of its filing, or an assignment by the Hospital for the benefit of its creditors, or the entry by the Hospital into an agreement of composition with its creditors or the appointment of a receiver, trustee, custodian, liquidator or similar officer for the Hospital, or the admission by the Hospital that it is unable to pay its debts as they mature or that it is generally not paying its debts as they mature;

(f) The Hospital defaults under the terms of any obligation, liability or indebtedness to Fifth Third Bank or any parent, affiliate or subsidiary thereof, which is not cured within the time period permitted pursuant to the terms and conditions of such obligation, liability or indebtedness, or an event occurs which gives any creditor the right to accelerate the maturity of any such obligation, liability or indebtedness;

(g) The Hospital defaults under the terms of any indebtedness or lease of the Hospital which is not cured within the time period permitted pursuant to the terms and conditions of such indebtedness or lease, or an event occurs which gives any creditor or lessor the right to accelerate the maturity of any such indebtedness or lease payments to such creditor or lessor;

(h) Fifth Third Bank reasonably believes that the ability of the Hospital to make its payments or perform its obligations under such Reimbursement Agreement or any of the other Letter of Credit Documents related thereto has been impaired; or

(i) Nonpayment by the Hospital of any obligation of the Hospital to Fifth Third Bank or any other affiliate of Fifth Third Bancorp under or in connection with any of certain interest rate management agreements.

Remedies. Upon the occurrence of any event of default under the Reimbursement Agreements for either Letter of Credit, Fifth Third Bank may:

(a) Declare the principal of all amounts owing under such Reimbursement Agreement and any of the other Letter of Credit Documents related thereto and any other indebtedness of the Hospital to Fifth Third Bank, together with interest thereon, to be forthwith due and payable;

(b) Implement any remedies available to Fifth Third Bank under or in connection with any of the Bond Documents related thereto, including without limitation causing and paying a full or partial drawing under such Letter of Credit (whether or not any amounts have previously been paid under such Letter of Credit), taking an assignment from the Bond Trustee for the Bonds of the series for which such Letter of Credit was issued of such Bond Documents, and exercising all of the rights and remedies available to Fifth Third Bank in connection therewith;

(c) Terminate its consent to the release of the proceeds of the Bonds of the series for which such Letter of Credit was issued;

(d) If the event of default may be cured by Fifth Third Bank by taking actions or making payments of money, Fifth Third Bank has the right (but not the obligation) to take such actions (including without limitation the retention of attorneys and the commencement or prosecution of actions on its own behalf or on behalf of the Hospital), make such payments and pay for the costs of such actions (including without limitation attorneys' fees and court costs) from its own funds; or

(e) Exercise any and all of its rights under such Reimbursement Agreement or any of the other Letter of Credit Documents related thereto or any of the Bond Documents related thereto, or otherwise as a secured creditor, including, without limitation, foreclosing on any security and exercising any other rights with respect to security, whether under such Reimbursement Agreement or any of such other Letters of Credit Documents or any other agreement or as provided by law, all in such order and in such manner as Fifth Third Bank in its sole discretion may determine.

The Bond Indenture for the Bonds of the series for which each Letter of Credit is issued provides that, upon (i) an event of default under the Reimbursement Agreement for such Letter of Credit and a demand by Fifth Third Bank for acceleration or (ii) receipt by the Bond Trustee for the Bonds of such series of a notice of non-reinstatement of interest under such Letter of Credit, such Bond Trustee will declare the principal of all Bonds of such series then outstanding to be immediately due and payable. See "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURES—EVENTS OF DEFAULT" and "—REMEDIES, ACCELERATION AND ANNULMENT THEREOF" in Appendix C.

Amendments. Either Reimbursement Agreement may be amended by Fifth Third Bank and the Hospital at any time and in any manner, without any consent from or notice to the Authority, either Bond Trustee, the Master Trustee or any Bondholders.

Release and Substitution

Each of the Bond Indentures provides that any Credit Facility (including the Letters of Credit) and any Liquidity Facility (including the Letters of Credit) may be released by the Bond Trustee:

(a) at the option of the Hospital, on the first Business Day of (i) any month during a Daily Mode or Weekly Mode, (ii) any Rate Period during a Flexible Mode, Semiannual Mode or Long Mode, or (iii) any Fixed Mode;

(b) when no Bonds of the applicable series remain outstanding;

(c) when such Credit Facility or Liquidity Facility expires or is terminated;

(d) when such Credit Facility or Liquidity Facility has been replaced;

(e) when a successor Bond Trustee has been appointed and qualified; or

(f) when the coverage of such Credit Facility or Liquidity Facility has been reduced and a new Credit Facility or Liquidity Facility in the reduced amount has been provided.

The Bond Trustee will give the notice required to be given for mandatory tender of the Bonds to all owners of such Bonds affected by the release of a Credit Facility or Liquidity Facility described in subparagraph (a), (c) or (d) above.

If an alternate, extended or amended Credit Facility or Liquidity Facility is being provided, such Facility:

(1) must have a term which is (i) neither less than one year nor, if the release of the prior Facility occurs during a Flexible Mode, a Long Mode or the Fixed Mode, less than the shorter of the remaining term of the prior Facility or the remaining term of the Rate Period then in effect, and (ii) ends at the close of business on the 6th Business Day of a month;

(2) must provide for draws or claims sufficient to pay the principal (or, in the case of a Liquidity Facility, a Purchase Price up to the principal) of the Bonds of the applicable series then outstanding plus interest thereon, at the maximum per annum rate of interest which may be borne by such Bonds during any Interest Mode to be in effect (assuming no subsequent designation of a different Interest Mode) during the term of such alternate, extended or amended Facility for up to at least the sum of (i) the greatest number of days between Interest Payment Dates in any such Interest Mode (or 34 days if a Credit Facility is then in effect and such alternate, extended or amended Credit Facility allows monthly draws for accrued interest), (ii) the greatest number of days which may transpire after a draw or claim under such alternate, extended or amended Facility to pay interest on the Bonds (or the interest component of the Purchase Price of the Bonds) prior to reinstatement of such amount, and (iii) five days; and

(3) may be a letter of credit, policy of insurance, surety bond, acceptance or guarantee or otherwise be different in form and structure from the prior Facility, but must provide rights not materially different therefrom with respect to the amounts of principal of and interest on (or, in the case of a Liquidity Facility, the amount of the Purchase Price of) the Bonds, the rights of the Bond Trustee to draw, make claim for and enforce payment of such amounts, and the provisions for release or termination thereof.

PROJECT

The Hospital intends to apply the proceeds of the Bonds to (i) finance or reimburse certain costs of constructing, acquiring, renovating or equipping the Project; (ii) obtain credit enhancement for the Bonds; and (iii) pay certain costs associated with the issuance of the Bonds.

The Project includes the construction of an 88,000 square foot cancer center (estimated completion date of January 2008), construction of a 10,000 square foot central energy plant and a 30,000 square foot ambulatory surgery center. See "Union Hospital, Inc. – Future Plans" in Appendix A.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds of the Bonds are summarized below:

SOURCES OF FUNDS

Tax-Exempt Bonds	\$19,000,000
Taxable Bonds	<u>\$13,000,000</u>
Total	\$32,000,000

USES OF FUNDS

Tax-Exempt Project Fund⁽¹⁾	\$19,000,000
Taxable Project Fund⁽¹⁾	<u>\$13,000,000</u>
	\$32,000,000

- ⁽¹⁾ **Investment earnings on the funds on deposit in each of the Project Funds created under the Tax-Exempt Bond Indenture and the Taxable Bond Indenture will be transferred to the Earnings Account of each Project Fund and used to reimburse the Corporation for costs of issuance, including Underwriter's fees, Letters of Credit fees, legal, printing, trustee and rating agency fees, and miscellaneous expenses of issuance, and capitalized interest during the construction period of the respective Project.**

AUTHORITY

The Authority was established on May 15, 2005, as successor to the Indiana Health Facility Financing Authority (the "IHFFA"), which was created in 1983 pursuant to the provisions of the Act, and is organized and existing under and by virtue of the Act as a public body politic and corporate, not an agency of the State of Indiana (the "State"), but as an independent public instrumentality exercising essential public functions. Under the Act, the Authority is authorized to make loans to private institutions of higher education, or "participating providers" (as defined in the Act) in order to provide funds to finance, refinance and provide reimbursement for all or a portion of any and all costs authorized under the Act and related to the acquisition, lease, construction, repair, restoration, reconditioning, refinancing, installation, or housing of "health facility property" (as defined in the Act). The Authority may finance health facility property located in Indiana or outside Indiana if the financing also includes a substantial component, as determined by the Authority, for the benefit of a health facility located in Indiana. Further, the participating provider (or an affiliate thereof) in any financing for a health facility outside Indiana must operate a substantial health facility, as determined by the Authority, in Indiana. The Authority has no taxing power.

The Act provides that the Authority shall consist of seven members, four of whom are appointed by the Governor of the State for terms of four years each. Two of the four members appointed by the Governor must be knowledgeable in health care or public finance and investment matters related to health care and two of the members appointed by the Governor must be knowledgeable in higher education or public finance and investment matters related to higher education. The Authority shall also include among its members (i) the Governor or the Governor's designee, who shall serve as the chairman of the Authority, (ii) the state public finance director or the public finance director's designee, and (iii) the state health commissioner or the state health commissioner's designee. All Authority members must be residents of the State, with not more than three of the four members appointed by the Governor being of the same political party. All Authority members serve without compensation but are entitled to reimbursement for actual and necessary expenses as determined by the Authority. The Governor shall appoint an Executive Director to serve at the pleasure of the Governor and to receive such compensation as the members of the Authority shall determine. The Executive Director serves as ex officio secretary of the Authority, administers, manages and directs the employees of the Authority (under the direction of the members of the Authority), approves all accounts and expenses and performs other additional duties as directed by the members of the Authority.

The Act provides that the State of Indiana pledges to, and agrees with, the holders of any obligations issued under the Act that it will not limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged; provided, however, that nothing in the Act precludes such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligation.

THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE STATE OF INDIANA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, NOR ARE HOLDERS OF THE BONDS GRANTED ANY RIGHT TO HAVE THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE ANY FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR THE INTEREST OR ANY PREMIUM ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

BONDHOLDERS' RISKS

Investment in the Bonds involves risks. In addition to factors set forth elsewhere in this Official Statement, purchasers of Bonds should carefully consider the following risk factors in connection with investment in the Bonds. The following description of risk factors is not, and is not intended to be, exhaustive.

Special and Limited Obligations

The Bonds are special and limited obligations of the Authority, payable solely from and secured exclusively by the revenues and funds pledged thereto under the Bond Indentures. The Bonds do not represent or constitute a debt of the Authority, the State or any political subdivision thereof within the meaning of the provisions of the Constitution or statutes of the State or a pledge of the faith and credit of the Authority, the State or any political subdivision thereof, or grant to the owners or holders thereof any right to have the Authority, the State or any political subdivision thereof levy any taxes or appropriate any funds for the payment of the principal thereof or premium, if any, or interest thereon. The Authority has no taxing power.

Letters of Credit

The Bonds of each series are offered solely on the basis of the Credit Facility and Liquidity Facility for the Bonds of such series (initially, the Letter of Credit for the Bonds of such series) and the credit of the provider of the Credit Facility and Liquidity Facility for the Bonds of such series (initially, Fifth Third Bank), and are not offered on the basis of the credit of the Hospital, the feasibility of the Project or any other security. This Official Statement contains only limited information about the Hospital. The Bonds of each series are offered only to investors who, in making their investment decision, rely solely on the Credit Facility and Liquidity Facility for the Bonds of such series (initially, the Letter of Credit for the Bonds of such series) and the credit of the provider of the Credit Facility and Liquidity Facility for the Bonds of such series (initially, Fifth Third Bank), and not on the credit of the Hospital, the feasibility of the Project or any other security. The Hospital may under certain circumstances release any Credit Facility or Liquidity Facility. See "LETTERS OF CREDIT—Release and Substitution."

The principal of (but not redemption premium, if any, on) and up to 45 days' accrued interest, calculated at 8% per annum for the Tax-Exempt Bonds and 10% per annum for the Taxable Bonds, are payable from and secured by the Letter of Credit for such series. The security provided by either Letter of Credit may be impaired in the event of a deterioration of the financial condition of Fifth Third Bank, as each Letter of Credit represents a general, unsecured claim against the assets of Fifth Third Bank. Enforcement of remedies provided in the Bond Indenture for the Bonds of either series with respect to payments to be made by Fifth Third Bank under the Letter of Credit for the Bonds of such series may be limited by bankruptcy or other laws relating to creditors' rights generally and by general principles of equity. In the event of a default by Fifth Third Bank under the Letter of Credit for the Bonds

of either series, no insurance proceeds from the Federal Deposit Insurance Corporation or any other governmental agency, instrumentality or authority would be available to pay the Bonds of such series.

Each Letter of Credit expires on July 13, 2011 (unless extended), subject to earlier termination as provided therein. Unless the Letter of Credit for the Bonds of each series is renewed or extended or an alternate Credit Facility and Liquidity Facility for the Bonds of such series is obtained, the Bonds of such series will be subject to mandatory tender in whole, at a price equal to 100% of the principal amount thereof, plus accrued interest, but without any premium, on the fifth Business Day prior to the expiration of such Letter of Credit. See “BONDS—Purchase—Mandatory Tender” and “LETTERS OF CREDIT.”

Performance by Fifth Third Bank of its obligations under the Letter of Credit for the Bonds of each series is subject to the satisfaction of certain conditions by the Bond Trustee for the Bonds of such series, as set forth in such Letter of Credit for the Bonds of such series. See “LETTERS OF CREDIT.” Holders of the Bonds of each series are thus dependent upon the Bond Trustee for the Bonds of such series acting to satisfy such conditions before they will receive the benefit of the Letter of Credit. Furthermore, the question of whether the Bond Trustee for the Bonds of either series has properly satisfied such conditions is a question of fact which, if disputed, could delay or defeat such Bond Trustee’s rights of enforcement of the Letter of Credit for the Bonds of such series.

The United States Bankruptcy Code generally stays the enforcement of claims against the estate of a bankrupt once a petition in bankruptcy is filed. Fifth Third Bank is required under the Letter of Credit for the Bonds of each series to pay amounts sufficient to pay the principal of and up to 45 days’ interest, calculated at 8% per annum for the Tax-Exempt Bonds and 10% per annum for the Taxable Bonds, on the Bonds of such series in the event of the bankruptcy of the Hospital. However, it is possible that, in the event of the bankruptcy of the Hospital, a bankruptcy court could at least temporarily stay the payment of the Letter of Credit for the Bonds of either series until relief from that stay is granted by the court, thus delaying payment to the holders of the Bonds of such series. Moreover, in the event of the bankruptcy of the Hospital, a bankruptcy court, invoking equitable or other doctrines, might attempt to restructure the transactions which are the subject hereof, or enjoin drawings under the Letter of Credit for the Bonds of either series for the payment of principal of or interest on the Bonds of such series, thus possibly resulting in impairment of rights of, or deferment of payments owed to, the holders of the Bonds of such series.

In the event of the insolvency of Fifth Third Bank, or the occurrence of some other event precluding Fifth Third Bank from honoring its obligations under the Letter of Credit for the Bonds of either series, the financial resources of the Hospital will be the only source of payment on the Bonds of such series. This Official Statement contains only limited information about the Hospital. There can be no assurance that the financial resources of the Hospital would be sufficient to pay the Bonds of either series in the event the Bond Trustee for the Bonds of such series were forced to seek recourse against the Hospital.

Early Retirement of Bonds

The occurrence of certain events, including a default by the Hospital of its obligations under the Series 2006A-1 Obligation, the Series 2006A-2 Obligation, the Series 2006B-1 Obligation, the Series 2006B-2 Obligation, the Loan Agreements or the Reimbursement Agreements, could cause the acceleration of payments on the Bonds at any time, at a price equal to 100% of the principal amount thereof, plus accrued interest, but without any premium, even if there is no current payment default on the Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURES—EVENTS OF DEFAULT” and “—REMEDIES, ACCELERATION AND ANNULMENT THEREOF” in Appendix C. Because only limited information about the Hospital is contained in this Official Statement, it is not possible to assess the likelihood such an event will occur and payment of the Bonds will be accelerated before the stated maturity thereof. Therefore, in evaluating the suitability of the Bonds for investment, prospective purchasers of the Bonds should assume they will have no protection against an early retirement of the Bonds.

Hospital—General

No representation or assurance is given or can be made that revenues will be realized by the Hospital in amounts sufficient to make payments on the Series 2006A-1 Obligation and the Series 2006B-1 Obligation when due. The realization of future revenues and the level of expenses is subject to future economic and other conditions which are unpredictable and which may affect revenues and payment of principal of and interest on the Bonds. The realization of revenue and the level of expenses are affected by, and subject to, conditions that are impossible to predict and, therefore, may change to an extent and with effects that cannot be determined at this time.

The Hospital is a health care provider which derives significant portions of its revenues from Medicare, Medicaid and other third party payor programs. The Hospital is subject to governmental regulations applicable to health care providers and the receipt of the future revenue by the Hospital is subject to, among other factors, federal and state policies affecting the health care industry and other conditions which are impossible to predict. The effect on the Hospital of recently enacted laws and regulations, of future changes in federal and state laws and policies, and changes in third party payor policies cannot be fully or accurately determined at this time.

In addition, the receipt of future revenues by the Hospital is subject to changes in future economic and other conditions, including without limitation increased competition, inflation, demand for hospital services, the capability of management of the Hospital, the ability of the Hospital to provide the services required or requested by patients, physicians' confidence in the Hospital, employee relations and unionization, malpractice claims and other litigation, demographic changes and other factors. Such factors may adversely affect revenues and, and consequently, payment of the principal of and premium, if any, and interest on the Bonds.

Construction Risks

Construction of the Project is subject to the usual risks associated with construction projects, including, but not limited to, delays in issuance of required building permits or other necessary approvals or permits, strikes, shortages of materials and adverse weather conditions. It is anticipated that a portion of the proceeds from the sale of the Bonds, together with anticipated investment earnings thereon and other funds of the Hospital, will be sufficient to complete the construction and equipping of the Project. However, cost overruns for projects of this magnitude may occur due to change orders and other factors. In addition, the date of substantial completion may be extended by reason of changes authorized by the Hospital, delays due to acts or neglect of the Hospital or by independent contractors employed by the Hospital or by labor disputes, fire, unusual delay in transportation, adverse conditions not reasonably anticipated, unavoidable casualties or any causes beyond the control of the contractors. Cost overruns could also result in the Hospital not having sufficient moneys to complete construction of the Project, thereby materially affecting the receipt of revenues needed to pay debt service on the Bonds.

Payment for Health Care Services

Most of the patient service revenues of the Hospital are derived from third party payors which reimburse or pay for the services and items provided to patients covered by such third parties for such services, including the federal Medicare program, state Medicaid programs and private health plans and insurers, health maintenance organizations, preferred provider organizations and other managed care payors. Many of those programs make payments to the Hospital at rates other than the direct charges of the Hospital, which rates may be determined other than on the basis of the actual costs incurred in providing services and items to such patients. Accordingly, there can be no assurance that payments made under such programs will be adequate to cover the Hospital's actual costs of furnishing health care services and items. In addition, the financial performance of the Hospital could be adversely affected by the insolvency of, or other delay in receipt of payments from, third party payors which provide coverage for services to their patients.

Medicare and Medicaid Programs; General

Medicare and Medicaid are the commonly used names for hospital reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program and Medicaid is jointly funded by federal and state government. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older or disabled, or qualify for the End Stage Renal Disease Program. Medicaid is designed to pay providers for care given to the medically indigent, is funded by federal and state appropriations, and is administered by the individual states. Hospital benefits are available under each participating state's Medicaid program, within prescribed limits, to persons meeting certain minimum income or other eligibility requirements including children, the aged, the blind and/or disabled.

Health care providers have been and will be affected significantly by changes in the last several years in federal health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of the recent statutory and regulatory activity has been to reduce the rate of increase in health care costs, particularly costs paid under the Medicare and Medicaid programs. Diverse and complex mechanisms to limit the amount of money paid to health care providers under both the Medicare and Medicaid programs have been enacted, and have caused severe reductions in reimbursement from the Medicare program. Specifically, the Balanced Budget Act of 1997 (the "BBA") which was signed into law on August 5, 1997, was intended to decrease significantly reimbursement or payment to health care providers. Congress has also affected reimbursement levels to providers in the Medicare and Medicaid and State Children's Health Insurance Program Balanced Budget Refinement Act of 1999 ("BBRA") and the Benefits Improvement and Protection Act of 2000 ("BIPA"). Most recently, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "2003 Act") was signed into law on December 8, 2003. The 2003 Act, among other things described below, generally increased reimbursement levels. The following is a summary of the Medicare and Medicaid programs and certain risk factors related thereto.

Medicare

General

Approximately 46% of the gross patient service revenues of the Hospital for the fiscal year ended August 31, 2005 were derived from Medicare. Medicare pays acute care hospitals for most services provided to inpatients under a payment system known as the "Prospective Payment System" or "PPS" pursuant to which hospitals are paid for services based on predetermined rates. Separate PPS payments are made for inpatient operating costs and inpatient capital costs. Such payments are not based upon a hospital's actual costs of providing service.

Inpatient Operating Costs

Acute care hospitals that participate in Medicare are paid on the basis of PPS, on a per-discharge basis at fixed rates based on the Diagnosis Related Group ("DRG") to which each Medicare patient is assigned. The DRG is determined by the diagnoses, procedures and other factors for each particular Medicare inpatient stay. The amount to be paid for each DRG is established prospectively by the Centers for Medicare and Medicaid Services ("CMS") (formerly, The Health Care Financing Administration), an agency of the United States Department of Health and Human Services ("HHS"), and is not, with certain exceptions, related to a hospital's actual costs or variations in service or length of stay.

The BBA also has affected DRG reimbursement by reducing it to, in effect, a per diem rate for a select group of DRGs when the patient is transferred to almost any post acute care setting prior to the geometric mean length of stay for the appropriate DRG. Affected by this rule are transfers to post acute care settings such as rehabilitation, skilled nursing facilities, psychiatric services and home health. This rule, which now applies to 30 DRGs (as opposed to 10, the number of DRGs affected prior to October 1, 2003), could adversely affect the Medicare reimbursement of the Hospital because hospitals transferring patients who are classified under one of the designated DRGs to a post-acute setting prior to the geometric mean length of stay for that DRG will receive less than the full DRG rate for those patients.

For certain Medicare beneficiaries who have unusually long or costly hospital stays (“outliers”), CMS will provide additional payments above those specified for the DRG. To determine whether a case qualifies for outlier payments, hospital-specific cost to charge ratios are applied to the total covered charges for the case. Operating and capital costs for the case are calculated separately by applying separate operating and capital cost-to-charge ratios and combining these costs to compare them with a defined fixed-loss outlier threshold for the specific DRG.

On June 9, 2003, CMS promulgated a final regulation revising how Medicare outlier payments for inpatient services are calculated. The regulation closed certain loopholes through which some hospitals manipulated their cost-to-charge ratios in order to increase their Medicare outlier payments. Hospitals receiving a large proportion of their Medicare revenues as outlier payments have an increased likelihood of triggering a review by CMS, not only of their outlier payments, but also of all of their billing practices. As part of its 2006 Work Plan, the HHS Office of Inspector General intends to continue to evaluate whether claims for outlier payments have been submitted in accordance with Medicare law and regulations. Although the Hospital believes that its cost-to-charge ratios were not manipulated in order to increase Medicare outlier payments, any such investigation or suit involving the outlier payments of the Hospital could have a material adverse impact on the financial condition and the results of operations of the Hospital.

PPS payments are adjusted annually using an inflation index, based on the change in a “market basket” of hospital costs of providing health care services. On April 12, 2006, implementing a number of changes made by the Deficit Reduction Act of 2005 (“DRA”), CMS issued the hospital inpatient prospective payment system (“IPPS”) proposed rule for fiscal year 2007. While CMS estimates fiscal year 2007 operating and capital payments for Hospitals under the Medicare program to increase, there is no assurance that future updates in the PPS payments will keep pace with the increases in the cost of providing hospital services. If a hospital incurs costs in treating Medicare inpatients which exceed the DRG level of reimbursement plus any outlier payments, the hospital will experience a loss from such services. Other third-party payors have begun implementing their own limitations on reimbursement payable to hospitals to avoid “cost-shifting,” that is, the practice of offsetting losses from Medicare patients by increasing charges to other payors.

Inpatient Capital Costs

Medicare payments for inpatient capital costs (e.g., depreciation, interest, taxes and similar expenses for plant and equipment), are based upon a PPS system similar to the inpatient operating cost PPS. A separate per-case standardized amount is paid for capital costs, adjusted to take into account certain hospital characteristics and weighted by DRG. Such capital costs are reimbursed exclusively on the basis of a standard federal rate (based upon average national costs of capital), subject to certain adjustments specific to the hospital.

There can be no assurance that the prospective payment for capital costs will be sufficient to cover the actual capital-related costs of the Hospital allocable to Medicare patient stays or to provide adequate flexibility in meeting the future capital needs of the Hospital.

Costs of Medical Education

Medicare pays for costs associated with both direct and indirect medical education (including the salaries of residents and teachers and other overhead costs directly attributable to approved medical education programs for training residents, nurses and allied health professionals). Payment for direct medical education (“DME”) reimburses hospitals for the direct costs of their medical education programs, including faculty and resident salaries and other costs incurred directly in support of the teaching programs. However, prior legislation capped the number of residents for which DME reimbursement would be available to the number of residents that were included in the hospital’s cost report ending December 31, 1996. DME resident amounts were limited to the number of residents reported in the hospitals’ cost report as of 1996. Different rules apply to new residency programs, but the DME amounts payable for new programs are also limited based on certain other factors. There can be no assurance that payments to the Hospital for providing medical education will be adequate to cover the costs attributable to medical education programs.

Cost of Outpatient Services

The BBA provided authority for CMS to implement PPS for hospital outpatient services, certain Part B services furnished to hospital inpatients who have no Part A coverage, and partial hospitalization services furnished by community mental health centers (“Outpatient PPS”). All services paid under the new Outpatient PPS are classified into groups called Ambulatory Payment Classifications or “APCs.” Services in each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC which is based on national median hospital costs (including operating and capital costs) adjusted for variations in hospital labor costs across geographic areas. Depending on the services provided, hospitals may be paid for more than one APC for an encounter. There can be no assurance that payments under Outpatient PPS will be sufficient to cover the actual costs of providing such services.

Physician Payments

Reimbursement for certain physician services is based on a Medicare fee schedule based on a “resource-based relative value scale” (“RBRVS”). The RBRVS fee schedule establishes payment amounts for all physician services, including services provided by hospital employed physicians (other than anesthesiologists) and is subject to annual updates. There can be no assurance that the payments for physician services will be sufficient to cover the actual costs of providing such services.

Provider-Based Designation

CMS regulations describe the criteria and procedures for determining whether a facility or organization is “provider-based” and thereby treated as part of another Medicare provider, rather than as a freestanding entity. The current regulations impose significantly greater requirements for obtaining provider-based status than was the case under previous regulations, and may lead to reclassification of facilities or departments of the Hospital currently classified as “provider-based.” Proposed CMS regulations would add “rural health clinics” to the list of facilities for which provider-based status is not available. Reclassification of any of the provider-based facilities or departments of the Hospital could reduce reimbursement under the Medicare program. In addition, in the event that a facility or department that bills for outpatient services as a provider-based entity is found to be out of compliance with the current provider-based regulations, the Hospital could be liable for Medicare overpayments.

Medicare Conditions of Participation

Hospitals must comply with standards called “Conditions of Participation” in order to be eligible for Medicare and Medicaid reimbursement. CMS is responsible for ensuring that hospitals meet these regulatory Conditions of Participation. Under the Medicare rules, hospitals accredited by the Healthcare Facilities Accreditation Program (“HFAP”) are deemed to meet the Conditions of Participation. However, CMS may request that the state agency responsible for approving hospitals on behalf of CMS, conduct a “sample validation survey” of a hospital to determine whether it is complying with the Conditions of Participation. Failure to maintain HFAP accreditation or to otherwise comply with the Conditions of Participation could have a material adverse effect on the continued participation in the Medicare and Medicaid programs, and ultimately, the financial condition and results of operations of the Hospital.

Critical Access Hospitals

West Central Community Hospital (“WCCH”), operated as a division of the Hospital, is a Medicare Critical Access Hospital (“CAH”). A CAH is a facility that is designated as a CAH by the State in which it is located and is (i) a rural public, non-profit or for-profit hospital or is a rural health clinic that was downsized from a hospital; (ii) is a facility located in a State that has established a State Plan with CMS's Medicare Rural Hospital Flexibility Program; (iii) is located more than a 35-mile drive from any other hospital or CAH or is certified as a necessary provider of health care services to residents in the area; (iv) makes available 24-hour emergency care services 7-days per week; (v) provides not more than 15 beds for acute inpatient care; and (vi) provides an annual average length of

stay of 96 hours per patients. CAHs must comply with Medicare's "Conditions of Participation" separate from those of acute care hospitals. There can be no assurance that WCCH will continue to meet the definition of a CAH and the "Conditions of Participation" and thus that the prospective payment amounts will be sufficient to cover the actual costs of providing such services at WCCH.

Medicare Audits and Withholds

Hospitals participating in Medicare and Medicaid are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under those programs. Although management of the Hospital believes recorded valuation allowances are adequate for the purpose, any such future adjustments could be material. Both Medicare and Medicaid regulations also provide for withholding payments in certain circumstances. Any such withholding with respect to any Hospital could have a material adverse effect on the financial condition and results of operations of the Hospital. In addition, contracts between hospitals and third-party payers often have contractual audit, setoff and withhold language that may cause substantial, retroactive adjustments. Such contractual adjustments also could have a material adverse effect on the financial condition and results of operations of the Hospital. Management of the Hospital is not aware of any situation in which a Medicare or other payment is being, or may in the future be, withheld that would materially and adversely affect the financial condition or results of operations of the Hospital.

Under both Medicare and Medicaid programs, certain health care providers, including hospitals, are required to report certain financial information on a periodic basis, and with respect to certain types of classifications of information, penalties are imposed for inaccurate reports. As these requirements are numerous, technical and complex, there can be no assurance that the Hospital will avoid incurring such penalties in the future. These penalties may be material and adverse and could include criminal or civil liability for making false claims and/or exclusion from participation in the federal healthcare programs. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act or other federal statutes, subjecting the provider to civil, administrative, or criminal sanctions. The United States Department of Justice has initiated a number of national investigations, including in the State of Indiana, involving proceedings under the federal False Claims Act relating to alleged improper billing practices by hospitals. These actions have resulted in substantial settlement amounts being paid in certain cases.

Management of the Hospital does not anticipate that Medicare audits or cost report settlements for the Medicare program will materially adversely affect the financial condition or results of operations of the Hospital, taken as a whole, nor does it believe that any Hospital has improperly submitted claims; however, in light of the complexity of the regulations relating to the Medicare program, and the threat of ongoing investigations as described above, there can be no assurance that significant difficulties will not develop in the future.

Medicare Advantage

Medicare Advantage plans (formerly known as Medicare+Choice Plans prior to the 2003 Act) are alternate insurance products offered by private companies that engage in direct managed care risk contracting with the Medicare program. Under the Medicare Advantage program these private companies agree to accept a fixed, per beneficiary payment from the Medicare program to cover all care that the beneficiary may require. In recent years, many private managed care companies discontinued their Medicare+Choice plans. The result has been that the beneficiaries who were covered by the now discontinued Medicare+Choice have been shifted back into the Medicare fee for service program or into a Medicare cost plan.

Future legislation or regulations may be created, to encourage increased participation in the Medicare Advantage program. The effect of such future legislation/regulation is unknown but could materially and adversely affect the Hospital.

Medicaid

Medicaid is the joint federal/state program, created under the Social Security Act, by which hospitals receive reimbursement for services provided to eligible infants, children, adolescents and indigent adults. Approximately 11% of the gross patient service revenues of the Hospital for the fiscal year ended August 31, 2005 were derived from the Indiana and Illinois Medicaid programs.

Payments made to health care providers under the Medicaid program are subject to change as a result of federal or state legislative and administrative actions, including changes in the methods for calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Such changes have occurred in the past and may be expected to occur in the future, particularly in response to federal and state budgetary constraints.

Indiana Medicaid Program

Since a portion of the Medicaid program's costs in Indiana are paid by the State, the absolute level of Medicaid revenues paid to the Hospital, as well as the timeliness of their receipt, may be affected by the financial condition of and budgetary factors facing the State. The actions the State could take to reduce Medicaid expenditures to accommodate any budgetary shortfalls include, but are not limited to, changes in the method of payment to hospitals, changes in eligibility requirements for Medicaid recipients and delays of payments due to hospitals. Any such action taken by the State could have a material adverse effect upon the Hospital's operations and financial results.

Since November 4, 1994, the Indiana Medicaid program has made payments to hospitals using a DRG system that bases payments on patient discharges. Previously, the Indiana Medicaid program reimbursed hospitals for inpatient services on the basis of the hospital's reasonable costs, as determined under Medicare cost reimbursement principles, and limited such reimbursement by allowing increases in the per discharge target rates based upon certain fiscal year inflationary adjustment percentages.

Effective March 1, 1994, the Indiana Medicaid Program adopted a rule establishing an outpatient payment system that reimburses hospitals based upon established fee schedule allowances and rates for surgery groups. Previously, outpatient reimbursement was made on a prospective reimbursement methodology providing a predetermined percentage based upon an aggregate "cost to charge" ratio, with no year end costs settlement. Consequently, no assurance can be given that Medicaid payments received or to be received by the Hospital will be sufficient to cover costs for inpatient and outpatient services, debt service obligations or other expenses otherwise eligible for reimbursement.

Illinois Medicaid Program

The State of Illinois has experienced adverse economic conditions during its recent fiscal years, resulting in significant shortfalls between its general fund revenues, which are the primary source of moneys for Medicaid funding, and spending demands. These economic conditions and the resulting shortfalls are expected to continue in the current fiscal year and may continue in future fiscal years. Given the fact that, historically, federal payments and the amount appropriated by the Illinois legislature for the payment of Medicaid claims have not been sufficient to reimburse hospitals for their actual costs of providing services to Medicaid patients, the financial challenges facing the State of Illinois may negatively affect the Hospital in a number of ways. They may lead to a greater number of indigent patients who are unable to pay for their care and a greater number of individuals who qualify for Medicaid. They may cause the State of Illinois to seek to generate revenue or reduce expenses by changing eligibility requirements for Medicaid recipients, changing the method of or reducing the amount of payments to hospitals for Medicaid services, delaying actual payments due to hospitals for Medicaid services, increasing the frequency of regulatory investigations and resulting penalties, and/or changing the tax-exempt treatment of charitable organizations' income or real estate. Additionally, as revenues decline, the State of Illinois may face pressure from

various interest groups to restrict the use of State of Illinois funds to such interest groups' purposes. This could negatively affect the availability of the State of Illinois' general funds for Medicaid services.

Disproportionate Share Payments

The federal Medicaid law permits states to include a “disproportionate share” adjustment in payments to hospitals in order to compensate those hospitals that serve a disproportionate share of indigent patients. Approximately 0.74% of the gross patient revenues of the Hospital for the fiscal year ended August 31, 2005 are represented by gross disproportionate share payments. There is no guarantee that, in the future, the Hospital will continue to receive distributions at this level.

Federal Regulatory and Contractual Matters

Recent Legislation

The 2003 Act, in addition to adding outpatient prescription drug coverage, makes significant changes to the Medicare program affecting hospitals, and provides certain economic benefits to hospitals over the next 10 years. Among other things, the 2003 Act's hospital-related provisions (i) increase payments to rural providers; (ii) ensure that inpatient PPS payment updates remain at the full market basket, provided hospitals participate in a voluntary CMS-sponsored hospital reporting initiative; (iii) impose an 18-month moratorium on the Stark Law “whole hospital” exception for physician owners of designated “specialty” hospitals (discussed below); (iv) increase home health payments; (v) establish a competitive acquisition program for durable medical equipment beginning in 2007; and (vi) freeze payment rates for durable medical equipment for the three (3) federal fiscal years from September 30, 2004 through September 30, 2006.

While it is believed that the 2003 Act will provide a measure of financial relief to hospitals, it is impossible to predict the effect that the 2003 Act will have on the Hospital, especially given the 2003 Act's length, complexity and long phase-in period, as well as the potential for future amendment and alteration of the benefits provided by the 2003 Act.

In addition, the current trend of federal Medicare legislation and regulation favors the replacement of cost based, provider-specific reimbursement with prospectively determined national payment rates. Additionally, changes through the DRA are being made to promote higher quality and more efficient care in hospitals. The net effect of these trends could be lower revenues that would have a material adverse effect on the future financial condition and results of operations of the Hospital.

Anti Fraud and Abuse Laws

The federal Anti Kickback statute (the “Anti Kickback Law”) makes it a felony to knowingly and willfully offer, pay, solicit or receive remuneration, directly or indirectly, in order to induce business that is reimbursable under any federal health care program. The statute has been interpreted to cover any arrangement where one purpose of the remuneration was to obtain or pay money for the referral of services or to induce further referrals. Violation of the Anti-Kickback Law may result in imprisonment for up to five years and/or fines of up to \$25,000 for each act. In addition, the Office of Inspector General (“OIG”) of HHS has the authority to impose civil assessments and fines and to exclude hospitals engaged in prohibited activities from the Medicare, Medicaid, TRICARE (a health care program providing benefits to dependents of members of the uniformed services), and other federal health care programs for not less than five years. In addition to certain statutory exceptions to the Anti Kickback Law, the OIG has promulgated a number of regulatory “safe harbors” under the Anti Kickback Law designed to protect certain payment and business practices. A party may seek an advisory opinion to determine whether an actual or proposed arrangement meets a particular safe harbor; however the failure of a party to seek an advisory opinion may not be introduced into evidence to prove that the party intended to violate the provisions of the statute. Failure to comply with a statutory exception or regulatory safe harbor does not mean that an arrangement is unlawful but may increase the likelihood of challenge.

The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) created a new program operated jointly by HHS and the United States Attorney General to coordinate federal, state and local law enforcement with respect to fraud and abuse including the Anti-Kickback Law. HIPAA also provides for minimum periods of exclusion from a federal health care program for fraud related to federal health care programs, provides for intermediate sanctions and expands the scope of civil monetary penalties. The BBA expanded the authority of OIG to exclude persons from federal health care programs, increased certain civil and monetary penalties for violations of the Anti Kickback Law and added a new monetary penalty for persons who contract with a provider that the person knows or should know is excluded from the federal health care programs. Finally, actions which violate the Anti-Kickback Law or similar laws may also involve liability under the federal civil False Claims Act which prohibits the knowing presentation of a false, fictitious or fraudulent claim for payment to the United States. Actions under the civil False Claims Act may be brought by the United States Attorney General or as a qui tam action brought by a private individual in the name of the government.

Pursuant to the mandates of HIPAA, increased emphasis is being placed on federal investigations and prosecutions of Medicare and Medicaid “fraud and abuse” cases, and increases in personnel investigations and prosecuting such cases have been reported, which will most likely result in a higher level of scrutiny of hospitals and health care providers, including the Hospital.

The management of the Hospital believes that the Hospital are in compliance with the Anti-Kickback Law. However, because of the breadth of those laws and the narrowness of the safe harbor regulations, there can be no assurance that regulatory authorities will not take a contrary position or that the Hospital will not be found to have violated the Anti-Kickback Law.

Stark Law

Another federal law (known as the “Stark Law”) prohibits, subject to limited exceptions, a physician who has a financial relationship, or whose immediate family has a financial relationship, with entities (including hospitals) providing “designated health services” from referring Medicare patients to such entities for the furnishing of such designated health services. Stark Law designated health services include physical therapy services, occupational therapy services, radiology or other diagnostic services (including MRIs, CT scans and ultrasound procedures), durable medical equipment, radiation therapy services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, inpatient and outpatient hospital services and clinical laboratory services. The Stark Law also prohibits the entity receiving the referral from filing a claim or billing for the services arising out of the prohibited referral. The prohibition applies regardless of the reasons for the financial relationship and the referral; that is, unlike the federal Anti-Kickback Law, no finding of intent to violate the Stark Law is required. Sanctions for violation of the Stark Law include denial of payment for the services provided in violation of the prohibition, refunds of amounts collected in violation, a civil penalty of up to \$15,000 for each service arising out of the prohibited referral, exclusion from the federal healthcare programs, and a civil penalty of up to \$100,000 against parties that enter into a scheme to circumvent the Stark Law’s prohibition. Under an emerging legal theory, knowing violations of the Stark Law may also serve as the basis for liability under the False Claims Act. The types of financial arrangements between a physician and an entity that trigger the self-referral prohibitions of the Stark Law are broad, and include ownership and investment interests and compensation arrangements.

The 2003 Act contained an 18 month moratorium on physician self-referrals under Medicare/Medicaid to certain new “specialty hospitals.” Prior to the 2003 Act, referrals to specialty hospitals were exempt from the Stark Law’s prohibitions under that law’s exception for referrals to “whole hospitals,” defined to include hospitals engaged in the care of patients with a cardiac or an orthopedic condition, patients receiving a surgical procedure or other specialized categories of patients designated by the Secretary of HHS. The moratorium did not apply to “specialty hospitals” determined by the Secretary to be “in operation” or “under development” as of November 18, 2003. The moratorium contained in the 2003 Act expired on June 8, 2005. After the expiration of the moratorium, CMS announced that it was suspending the enrollment of specialty hospitals into Medicare. The suspension was to end February 15, 2006, but the DRA signed into law before the CMS-imposed suspension ended, extends the

suspension for 6 months while CMS develops a Strategic Plan to address concerns associated with specialty hospitals. On May 9, 2006, the Secretary of HHS submitted an interim report in which it was announced that while the moratorium on specialty hospitals would not be extended, CMS will pursue ways to increase health care safety.

On March 26, 2004, CMS issued a second phase of the regulations implementing the Stark Law. Those regulations became effective on July 26, 2004. Those regulations changed the requirements to meet certain Stark Law exceptions and added new exceptions to the Stark Law. At a minimum, the new Stark regulations may require the Members of the Obligated Group to amend or terminate certain arrangements with physicians or other referral sources to comply with the new regulations' requirements. At this point, it is uncertain whether or how these regulations will affect the financial condition and results of operations of the Members of the Obligated Group.

Although management of the Hospital believes that the arrangements of the Hospital with physicians should not be found to violate the Stark Law, as currently interpreted, there can be no assurance that regulatory authorities will not take a contrary position or that the Hospital will not be found to have violated the Stark Law. Sanctions under the Stark Law, including exclusion from the Medicare and Medicaid programs, could have a material adverse effect on the financial condition and results of operations of the Hospital.

False Claims Laws

There are principally three federal statutes addressing the issue of "false claims." First, the Civil False Claims Act imposes civil liability (including substantial monetary penalties and damages) on any person or corporation that (1) knowingly presents or causes to be presented a false or fraudulent claim for payment to the United States government; (2) knowingly makes, uses, or causes to be made or used a false record or statement to obtain payment; or (3) engages in a conspiracy to defraud the federal government by getting a false or fraudulent claim allowed or paid. Specific intent to defraud the federal government is not required to act with knowledge. This statute authorizes private persons to file qui tam ("Qui Tam") actions on behalf of the United States. Qui Tam actions could be brought against the Hospital in the future.

In addition to the Civil False Claims Act, the Civil Monetary Penalties Law authorizes the imposition of substantial civil money penalties against an entity that engages in activities including, but not limited to, (1) knowingly presenting or causing to be presented, a claim for services not provided as claimed or which is otherwise false or fraudulent in any way; (2) knowingly giving or causing to be given false or misleading information reasonably expected to influence the decision to discharge a patient; (3) offering or giving remuneration to any beneficiary of a federal health care program likely to influence the receipt of reimbursable items or services; (4) arranging for reimbursable services with an entity which is excluded from participation from a federal health care program; (5) knowingly or willfully soliciting or receiving remuneration for a referral of a federal health care program beneficiary; or (6) using a payment intended for a federal health care program beneficiary for another use. The Secretary of HHS, acting through the OIG, also has both mandatory and permissive authority to exclude individuals and entities from participation in federal health care programs pursuant to this statute.

Finally, it is a criminal federal health care fraud offense to: (1) knowingly and willfully execute or attempt to execute any scheme to defraud any healthcare benefit program; or (2) to obtain, by means of false or fraudulent pretenses, representations or promises any money or property owned or controlled by any healthcare benefit program. Penalties for a violation of this federal law include fines and/or imprisonment, and a forfeiture of any property derived from proceeds traceable to the offense.

Physician Recruitment

The Internal Revenue Service ("IRS") and OIG have issued various pronouncements that could limit physician recruiting and retention arrangements. In IRS Revenue Ruling 97-21, the IRS ruled that tax exempt hospitals that provide recruiting and retention incentives to physicians risk loss of tax exempt status unless the incentives are necessary to remedy a community need and, accordingly, provide a community benefit; improvement of a charitable hospital's financial condition does not necessarily constitute such a purpose. The OIG has taken the

position that any arrangement between a federal healthcare program-certified facility and a physician that is intended to encourage the physician to refer patients may violate the federal Anti-Kickback Law unless a regulatory exception applies. Physician recruiting and retention arrangements may also implicate the Stark Law. While the OIG has promulgated a practitioner recruitment safe harbor and CMS has created a Stark Law exception for practitioner recruitment, the safe harbor and Stark Law exception are limited to practice recruitment in areas that are health professional shortage areas, and to the recruitment of new physicians who are relocating their practices, respectively. In addition, as noted above, recent Stark Law regulations promulgated in March 2004 have modified the Stark Law recruitment exception and apply both to new arrangements as well as recruitment arrangements already in existence.

Management of the Hospital believes that the physician recruitment programs of the Hospital are in material compliance with these laws and policies, but no assurance can be given that future laws, regulations or policies will not have a material adverse impact on the ability of the Members of the Obligated Group to recruit and retain physicians.

Emergency Medical Treatment and Labor Act

The federal Emergency Medical Treatment and Labor Act (“EMTALA”) imposes certain requirements on hospitals and facilities with emergency departments. Generally, EMTALA requires that hospitals provide “appropriate medical screening” to patients who come to a dedicated emergency department to determine if an emergency medical condition exists. The hospital must stabilize the patient, and the patient cannot be transferred unless stabilization has occurred. On September 5, 2003, CMS issued rules clarifying hospital obligations under EMTALA. These rules expand the definition of hospital emergency department to include any department or facility of the hospital, regardless of whether it is located on or off the main hospital campus, that (i) is licensed by the state in which it is located under applicable state law as an emergency room or emergency department; (ii) is held out to the public as a place that provides care on an emergency medical or urgent care basis or (iii) provides at least one third of all of its outpatient visits for the examination and treatment of emergency medical conditions. The new rules also clarify the physician “on call” requirements, now allowing hospitals the discretion to develop their on-call lists in a way that best meets the needs of their communities. Furthermore, the rules permit hospital departments that are off-campus to provide the most effective way for caring for emergency patients without requiring that the patient be moved to the main campus.

In addition, emergency room services provided to screen and stabilize a Medicare beneficiary furnished after January 1, 2004, must be evaluated for Medicare’s “reasonable and necessary” requirements on the basis of information available to the treating physician or practitioner at the time the services were ordered.

Failure to comply with EMTALA may result in a hospital’s exclusion from the Medicare and/or Medicaid programs, as well as civil monetary penalties. As such, failure of the Hospital to meet its responsibilities under EMTALA could adversely affect the financial condition of the Hospital.

State Laws and Regulations

States are increasingly regulating the delivery of health care services in response to the federal government’s failure to adopt comprehensive health care reform measures. Much of this increased regulation has centered around the managed care industry. State legislatures have cited their right and obligation to regulate and to oversee health care insurance and have enacted sweeping measures that aim to protect consumers and, in some cases, providers. A number of states, for example, have enacted laws mandating a minimum of forty-eight hour hospital stays for women after delivery; laws prohibiting “gag clauses” (contract provisions that prohibit providers from discussing various issues with their patients); laws defining “emergencies,” which provide that a health care plan may not deny coverage for an emergency room visit if a lay person would perceive the situation as an emergency; and laws requiring direct access to obstetrician gynecologists without the requirement of a referral from a primary care physician.

Due to this increased state oversight, the Hospital could be subject to a variety of state health care laws and regulations affecting both managed care organizations and health care providers. In addition, the Hospital could be subject to state laws and regulations prohibiting, restricting or otherwise governing preferred provider organizations, third party administrators, physician hospital organizations, independent practice associations or other intermediaries; fee splitting; the “corporate practice of medicine;” selective contracting (“any willing provider” laws and “freedom of choice” laws); coinsurance and deductible amounts; insurance agency and brokerage; quality assurance, utilization review, and credentialing activities; provider and patient grievances; mandated benefits; rate increases; and many other areas.

In the event that the Hospital chose to engage in transactions subject to such laws, or are considered by a state in which they operate to be engaging in such transactions, the Hospital may be required to comply with these laws or to seek the appropriate license or other authorization from that state. Such requirements may impose operational, financial, and legal burdens, costs and risks upon the Hospital.

Joint Ventures

The OIG has expressed its concern in various advisory bulletins that many types of joint venture arrangements involving hospitals may implicate the Anti Kickback Law, since the parties to joint ventures are typically in a position to refer patients of federal health care programs. In its 1989 Special Fraud Alert, the OIG raised concern about certain physician joint ventures where the intent is not to raise investment capital to start a business but rather to “lock up a stream of referrals from the physician investors and compensate these investors indirectly for these referrals.” The OIG listed various features of suspect joint ventures, but noted that its list was not exhaustive. These features include: (i) whether investors are chosen because they are in a position to make referrals; (ii) whether physicians with more potential referrals are given larger investment interests; (iii) whether referrals are tracked and referral sources shared with investing physicians; (iv) whether the overall structure is a “shell” (i.e., one of the parties is an ongoing entity already engaged in a particular line of business); and (v) whether investors are required to invest a disproportionately small amount or are paid extraordinary returns in comparison with their risk.

In April 2003, the OIG issued a Special Advisory Bulletin indicating that “contractual joint ventures” (where a provider expands into a new line of business by contracting with an entity that already provides the items or services) may violate the Anti-Kickback Law and expressing skepticism that existing statutory or regulatory safe harbors would protect suspect contractual joint ventures.

In addition, under the federal tax laws governing Section 501(c)(3) organizations, a tax-exempt hospital’s participation in a joint venture with for-profit entities must further the hospital’s exempt purposes and the joint venture arrangement must permit the hospital to act exclusively in the furtherance of its exempt purposes, with only incidental benefit to any for-profit partners. If the joint venture does not satisfy these criteria, the hospital’s tax-exemption may be revoked, the hospital’s income from the joint venture may be subject to tax, or the parties may be subject to some other sanction. See “BONDHOLDERS’ RISKS—Tax-Exempt Status of the Hospital and the Bonds” for further discussion of risks related to the tax-exempt status of the Hospital.

Any evaluation of compliance with the Anti-Kickback Law or tax laws governing Section 501(c)(3) organizations depends on the totality of the facts and circumstances. While management of the Hospital believes that the joint venture arrangements to which the Hospital is a party are in material compliance with the Anti Kickback Law and OIG policies, and the tax laws governing Section 501(c)(3) organizations, any determination that the Hospital is not in compliance with the Anti Kickback Law and OIG policies could have a material adverse effect on the future financial condition of the Hospital.

The Hospital has entered or is in the process of entering into several joint ventures with physicians. The ownership and operation of certain of these joint ventures may not meet safe harbors under the Anti Kickback Law. Management of the Hospital has proceeded or is proceeding with the transactions related to the joint ventures on the assumption, after consultation with its legal counsel, that each of the transactions related to the joint ventures is in compliance with the Stark Law and the tax laws governing Section 501(c)(3) organizations, and is otherwise

generally in compliance with the Anti-Kickback Law. However, there can be no assurance that regulatory authorities will not take a contrary position or that such transactions will not be found to have violated the Stark Law, the tax laws governing Section 501(c)(3) organizations and/or the Anti Kickback Law. Any such determination could have a material adverse effect on the financial condition of the Hospital.

HIPAA Administrative Simplification

Providers of health care and operators of health plans are significantly affected by certain health information requirements contained in the “administrative simplification” provisions of HIPAA. Pursuant to HIPAA, most covered entities, including the Hospital, were required to make significant changes to hardware, software and operations. The Hospital has implemented these changes, believe that such implementation has been successful and believe that reimbursement of claims will not be materially disrupted. Disruptions in reimbursement could have a material adverse effect on the financial condition of the Hospital.

On December 28, 2000, HHS published the final privacy rules (the “Privacy Rule”) to implement other requirements of the “administrative simplification” section of HIPAA. The Privacy Rule explicitly covers health care providers, health plans, and certain clearinghouses of health care information (i.e., a “covered entity”). The Privacy Rule provides the first comprehensive federal protection for the privacy of health information. It covers all medical records and other identifiable health information used, maintained or disclosed by a covered entity whether communicated electronically, on paper or orally. Management of the Hospital believes that it is in material compliance with the Privacy Rule.

Finally, HHS has published regulations establishing standards concerning the security of health care data that is transmitted electronically (the “Security Standards”). The final version of the Security Standards was published February 20, 2003. The Security Standards require covered entities such as the Hospital to undertake a wide range of activities designed to enhance security of electronic information. These measures include implementing administrative, physical and technical safeguards to protect electronic health information and ensuring the confidentiality, integrity and availability of electronic health information. Most covered entities were required to comply with the Security Standards by April 20, 2005. Management of the Hospital believes that it is in material compliance with the Security Standards.

Market Dynamics

In providing health care services, the Hospital competes with a number of other providers in its service area, including for-profit and nonprofit providers of acute health care services.

In addition, other affiliations among health care providers in the service areas of the Hospital may be either in a formative phase or under negotiation. Competition could also result from certain health care providers that may be able to offer lower priced services to the population served by the Hospital. These services could be substituted for some of the revenue generating services currently offered by the Hospital. The services that could serve as substitutes for hospital treatment include skilled, specialized and residential nursing facilities, home care, drug and alcohol abuse programs, ambulatory surgical centers, expanded preventive medicine and outpatient treatment, freestanding independent diagnostic testing facilities, increasingly sophisticated physician group practices and specialty hospitals, such as cardiac care hospitals and childrens’ hospitals. Certain of such forms of healthcare delivery are designed to offer comparable services at lower prices, and the federal government and private third-party payors may increase their efforts to encourage the development and use of such programs. In addition, future changes in state and federal law may have the effect of increasing competition in the healthcare industry. The effect on the Hospital of any such affiliations or entry into the market by alternative providers of health care services, if completed, cannot be determined at this time, but the management of the Hospital believes that the Hospital have positioned themselves to effectively provide community-based health care throughout the areas served by the Hospital.

Licensing, Accreditations, Investigations and Audits

On a regular basis, health care facilities, including those of the Hospital are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, private payers, the HFAP and other accrediting bodies. Renewal and continuance of certain of these licenses, certifications and accreditation are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by the Hospital. These activities generally are conducted in the normal course of business of health care facilities. Nevertheless, an adverse result could result in a loss or reduction in the scope of licensure, certification or accreditation of the Hospital, or could reduce the payment received or require repayment of amounts previously remitted.

The Hospital is subject to periodic review by the HFAP, and the various federal, state and local agencies created by the National Health Planning and Resources Development Act of 1974. From time to time, accrediting bodies may review their accreditations of the Hospital and recommend certain actions or impose conditions on an existing accreditation. Management currently anticipates no difficulty renewing or continuing currently held licenses, certifications or accreditations. Nevertheless, actions in any of these areas could result in the loss of utilization or revenues, or the ability of the Hospital to operate all or a portion of their facilities, and, consequently, could adversely affect the ability of the Hospital to make principal, interest and premium, if any, payments with respect to the Bonds. Management does not expect any such review to require actions or impose conditions that could not be satisfied or to adversely affect the continuing accreditation of the Hospital. No assurance can be given as to the effect on future operations of existing laws, regulations and standards for certification or accreditation or of any future changes in such laws, regulations and standards.

Future Legislation

Legislation is periodically introduced in the U.S. Congress and the Indiana General Assembly that could result in limitations on hospital revenues, reimbursement, costs or charges or that could require an increase in the quantity of indigent care required to maintain charitable status. The effect of any such proposals, if enacted, cannot be determined at this time.

In addition to legislative proposals previously discussed herein, other legislative proposals that could have an adverse effect on the Hospital include: (a) any changes in the taxation of not for profit corporations or in the scope of their exemption from income or property taxes; (b) limitations on the amount or availability of tax exempt financing for corporations described in Section 501(c)(3) of the Code; and (c) regulatory limitations affecting the ability of the Hospital to undertake capital projects or develop new services. The Hospital currently pays real estate taxes on those of its facilities (or portions of facilities) that are not used for its healthcare activities.

Legislative bodies have considered legislation concerning the charity care standards that nonprofit, charitable hospitals must meet to maintain their federal income tax-exempt status under the Code and legislation mandating that nonprofit, charitable hospitals have an open-door policy toward Medicare and Medicaid patients as well as offer, in a non-discriminatory manner, qualified charity care and community benefits. Excise tax penalties on nonprofit, charitable hospitals that violate these charity care and community benefit requirements could be imposed or their tax-exempt status under the Code could be revoked. The scope and effect of legislation, if any, that may be enacted at the federal or state levels with respect to charity care of nonprofit hospitals cannot be predicted. Any such legislation or similar legislation, if enacted, could have the effect of subjecting a portion of the income of the Hospital to federal or state income taxes or to other tax penalties and adversely affect the ability of the Hospital to generate net revenues sufficient to meet its obligations and to pay the debt service on the Bonds and its other obligations.

Malpractice Lawsuits and Malpractice Insurance

The ability of, and the cost to, the Hospital to insure or otherwise protect themselves against malpractice claims may adversely affect their future results of operations or financial condition.

The ability of health care providers to obtain malpractice insurance in Indiana, like most of the rest of the United States, has significantly deteriorated as rates for such insurance have increased, commercial providers have reduced their participation in, or withdrawn entirely from, the medical malpractice insurance realm, and PHICO, a Pennsylvania private malpractice insurer that had written such medical malpractice policies nationally, was declared insolvent. In addition, the events of September 11, 2001 and the attendant decline in financial markets and their impact on insurance companies' assets had an adverse impact on the medical malpractice insurance market. The ability of the Hospital to insure or otherwise protect themselves against malpractice claims remains in question and the cost of such protection will likely continue to rise, which may adversely affect the financial condition and results of operations of the Hospital.

Many hospitals and health care providers are having difficulty renewing or obtaining commercial insurance, including insurance against malpractice and general liability claims, at reasonable cost. The insurers are providing lower amounts of coverage, requiring greater deductibles and charging larger premiums. Policies issued may not be renewed or renewable. While management of the Hospital considers the Hospital's insurance coverage to be adequate, no assurance can be given that such coverage will be available for purchase in the same amounts and on the same terms in the future.

Antitrust

Enforcement of the antitrust laws against health care providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third-party contracting, physician relations, and joint venture, merger, affiliation and acquisition activities. In some respects, the application of the federal and state antitrust laws to health care is still evolving, and enforcement activity by federal and state agencies appears to be increasing. In particular, the Federal Trade Commission has publicly acknowledged increasing enforcement action in the area of physician joint contracting. Likewise, increased enforcement action exists relating to a retrospective review of completed hospital mergers. Violation of the antitrust laws could subject a hospital to criminal and civil enforcement by federal and state agencies, as well as treble damage liability by private litigants. At various times, the Hospital may be subject to an investigation by a governmental agency charged with the enforcement of the antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. The most common areas of potential liability are joint activities among providers with respect to payer contracting, medical staff credentialing, and use of a hospital's local market power for entry into related health care businesses. From time to time, the Hospital may be involved in joint contracting activity with other hospitals or providers. The precise degree to which this or similar joint contracting activities may expose the Hospital to antitrust risk from governmental or private sources is dependent on specific facts which may change from time to time. A U.S. Supreme Court decision now allows physicians who are subject to adverse peer review proceedings to file federal antitrust actions against hospitals. Hospitals regularly have disputes regarding credentialing and peer review, and therefore may be subject to liability in this area. In addition, hospitals occasionally indemnify medical staff members who are involved in such credentialing or peer review activities, and may also be liable with respect to such indemnity. Recent court decisions have also established private causes of action against hospitals which use their local market power to promote ancillary health care business in which they have an interest. Such activities may result in monetary liability for the participating hospitals under certain circumstances where a competitor suffers business damage. Government or private parties are entitled to challenge joint ventures that may injure competition. Liability in any of these or other antitrust areas of liability may be substantial, depending on the facts and circumstances of each case, and may have a material adverse impact on the Hospital.

Nationwide Nursing Shortage

Healthcare providers depend on qualified nurses to provide quality service to patients. There is currently a nationwide shortage of qualified nurses. This shortage and the more stressful working conditions it creates for those remaining in the profession are increasingly viewed as a threat to patient safety and may trigger the adoption of state and federal laws and regulations intended to reduce that risk. For example, some states are considering legislation that would prohibit forced overtime for nurses. In response to the shortage of qualified nurses, health care providers have increased and could continue to increase wages and benefits to recruit or retain nurses and have had to hire more expensive contract nurses.

Employees

The ability of the Hospital to employ and retain qualified employees, and their ability to maintain good relations with such employees and the unions they may be represented by, affect the quality of services to patients and the financial condition of the Hospital.

Investments

During certain fiscal years, investment income has constituted a significant portion of the net income of the Hospital. In other years, the Hospital has experienced losses on its investments. No assurance can be given that the investments of the Hospital will produce positive returns or that losses on investments will not occur in the future.

To the extent investment returns are lower than anticipated or losses on investments occur, the Hospital may also be required to make additional deposits in connection with pension fund liabilities.

Environmental Laws and Regulations

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations which address, among other things, hospital operations, facilities and properties owned or operated by hospitals. Among the types of regulatory requirements faced by hospitals are (a) air and water quality control requirements, (b) waste management requirements, (c) specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances, (d) requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the hospital, and (e) requirements for training employees in the proper handling and management of hazardous materials and wastes.

In its role as an owner and operator of properties or facilities, the Hospital may be subject to liability for investigating and remediating any hazardous substances that may be present on or have migrated off of its property or facilities. Typical hospital operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result from damage to individuals, property or the environment and include an interruption of operations, an increase in operating costs, legal liability, damages, injunctions or fines and investigations, administrative proceedings, penalties or other governmental agency actions. The Hospital expects to continue to encounter such risks in the future, and exposure to such risks could materially adversely affect the future financial condition or results of operations of the Hospital.

Management of the Hospital is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues involving the Hospital which, if determined adversely, would have a material adverse effect on the future financial condition or results of operations of the Hospital.

The Master Trustee or the Trustee may decline to enforce the Master Indenture or the Indenture, as the case may be, if the Trustee has not been indemnified to its satisfaction, in accordance with the Indenture, for all liabilities it may incur as a consequence thereof. Such liabilities may include, but are not limited to, costs associated with complying with environmental laws and regulations.

Increased Enforcement Affecting Clinical Research

In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also stepped up enforcement of laws and regulations governing the conduct of clinical trials at hospitals. DHHS elevated and strengthened its Office of Human Research Protection, one of the agencies with responsibilities for monitoring federally-funded research. In addition, the National Institutes of Health significantly increased the number of facility inspections that these agencies perform. The Food and Drug Administration ("FDA") also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. The FDA's inspection of facilities increased significantly in recent years. These agencies' enforcement powers range from substantial fines and penalties to exclusions of researchers and suspension or termination of entire research programs. Management of the Hospital believes that clinical research being conducted by the Hospital is in substantial compliance with material applicable requirements.

Technological Changes

Medical research and resulting discoveries have grown exponentially in the last decade. These new discoveries may add greatly to the cost of the Hospital providing services with no or little offsetting increase in federal reimbursement and may also render obsolete certain of the health services of the Hospital. New drugs and devices may increase hospitals' expense because, for the most part, the costs of new drugs and devices are not typically accounted for in the DRG payment received by hospitals for inpatient care. The PPS system imposed on outpatient services does permit a direct pass-through of certain new technologies defined by the government.

The rate of discovery of new drugs and devices has grown dramatically for several reasons. First, as medical discovery grows, it generates new avenues of research and discovery. Second, pharmaceutical and medical device companies are devoting increasing amounts of money to research and development spurred in part by reforms in the regulation of product approval for sale and distribution. The 1990s witnessed significant reforms at the FDA, the agency that regulates the introduction of new drugs and devices to the market. In 1992, Congress passed the Prescription Drug User Fee Act that levied fees on industry to support a substantial upgrade and reorganization of the agency for the purpose of dramatically decreasing the time required to secure approval for new drugs and devices. This Act was renewed and new FDA reforms were enacted by the Food and Drug Administration Modernization Act of 1997. The result of these pieces of legislation has been to cut in half the median time required for new drug approval. Other effects include decrease in the types of devices regulated, reform of the biologics approval process and decrease in clinical development times.

Once these drugs secure market approval, they are often included on hospitals' formularies (the list of drugs maintained by the hospitals for patient care). These may add significant operating expense with no immediate reimbursement through government payers for inpatient services.

A second potential effect is that discoveries could render obsolete the way that services are currently rendered, thereby either increasing expense or reducing revenues. However, any such effect cannot be predicted.

Tax Exempt Status of the Hospital and the Tax-Exempt Bonds

The tax-exempt status of interest on the Tax-Exempt Bonds depends at present upon maintenance of the Hospital of its status as a tax-exempt organizations by reason of being described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules based on the Code, regulations, and judicial decisions regarding the organization and operation of tax exempt hospitals and health systems. The IRS'

interpretation of and position on these rules as they affect the organization and operation of health care organizations (for example, with respect to providing charity care, joint ventures, physician and executive compensation, physician recruitment and retention, etc.) is constantly evolving. The IRS reserves the power to, and in fact occasionally does, alter or reverse its positions concerning tax exemption issues, even concerning long-held positions upon which tax exempt health care organizations have relied.

In addition, the IRS has asserted that tax-exempt hospitals that are in violation of Medicare and Medicaid regulations regarding inducement for referrals may also be subject to revocation of their tax-exempt status. Because a wide variety of hospital-physician transactions potentially violate these broadly stated prohibitions on inducement for referrals, the IRS has broadened the range of activities that may directly affect tax exemption, without defining specifically how those rules will be applied. As a result, tax-exempt hospitals, particularly those that have extensive transactions with physicians, are currently subject to an increased degree of scrutiny and perhaps enforcement by the IRS. The IRS's policy position is not necessarily indicative of a judicial adjudication of the applicable issues.

Section 4958 of the Code imposes excise taxes on "excess benefit transactions" between "disqualified persons" and tax-exempt organizations such as the Hospital. According to the legislative history and regulations associated with Section 4958, these excise taxes may be imposed by the IRS either in lieu of or in addition to revocation of exemption. The legislation is potentially favorable to taxpayers because it provides the IRS with a punitive option short of revocation of exempt status to deal with incidents of private inurement. However, the standards for tax exemption have not been changed, including the requirement that no part of the net earnings of an exempt entity inure to the benefit of any private individual. Consequently, although the IRS has only infrequently revoked the tax exemption of nonprofit healthcare corporations in the past, the risk of revocation remains and there can be no assurance that the IRS will not direct enforcement activities against the Hospital.

In 1990, the Employee Plans and Exempt Organizations Division of the IRS expanded the Coordinated Examination Program (referred to as "CEP") of the IRS to tax-exempt health care organizations. CEP audits are conducted by teams of revenue agents. The CEP audit teams consider a wide range of possible issues, including the community benefit standard, private inurement and private benefit, partnerships and joint ventures, retirement plans and employee benefits, employment taxes, tax-exempt bond financing, political contributions and unrelated business income.

The Hospital could be audited by the IRS. Management of the Hospital believes that it has properly complied with the tax laws. Nevertheless, because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, a CEP audit could result in additional taxes, interest and penalties. A CEP audit could ultimately affect the tax-exempt status of the Hospital.

On August 10, 2004, the IRS announced a new enforcement effort (referred to as the "Tax Exempt Compensation Enforcement Project") to identify and curb abuses by charities that pay excessive compensation and benefits to officers and other insiders. The IRS will implement this new effort by contacting nearly 2,000 charities about their compensation practices and procedures. The project's goals are to address the compensation of specific individuals, influence how organizations set compensation, and learn about existing practices. The inquiry will involve both large and small charities, and will also investigate insider transactions, including loans, leases, and other transfers of income and assets to officers and insiders. As a result of such inquiry, the IRS could seek to use the entire range of its enforcement activities, including penalties for filing incorrect information, intermediate sanctions, and revocation of the organization's exempt status.

Loss of tax exempt status by the Hospital could result in loss of the exclusion from gross income of the interest on the Tax-Exempt Bonds that, in turn, could result in a default under the Tax-Exempt Bond Indenture, potentially triggering an acceleration of the Tax-Exempt Bonds. Any such event would have material adverse consequences on the future financial condition and results of operations of the Hospital. Additionally, the loss of federal tax exempt status by the Hospital could adversely affect its access to future tax-exempt financing.

As described herein under the caption “TAX MATTERS RELATING TO THE TAX-EXEMPT BONDS,” failure to comply with certain legal requirements may cause the interest on the Tax-Exempt Bonds to become included in gross income of the recipients thereof for federal income tax purposes. The Tax-Exempt Bond Indenture does not provide for the payment of any additional interest or penalty in the event the interest on the Tax-Exempt Bonds is determined to be includible in gross income for federal income tax purposes.

The IRS has recently reviewed a number of bond issues and concluded that such bond issues did not comply with applicable provisions of the Code and related regulations. The IRS has typically entered into closing agreements with issuers and beneficiaries of such bond issues under which payments have been made to the IRS. No assurance can be given that the IRS will not examine a Tax-Exempt Bondholder, the Hospital or the Tax-Exempt Bonds. If the Tax-Exempt Bonds are examined, it may have an adverse impact on their marketability and price and could also result in substantial payments by the Hospital to resolve issues raised by the IRS.

Alternative or Integrated Delivery System Development

Many hospitals and health systems, including the Hospital, are pursuing strategies with physicians in order to offer an integrated package of health care services, including physician and hospital services, to patients, health care insurers, and managed care providers. These integration strategies may take many forms, including management service organizations (“MSO”), which may provide physicians or physician groups with a combination of financial and managed care contracting services, office and equipment, office personnel and management information systems. Integration objectives may also be achieved via physician-hospital organizations (“PHOs”), which are typically jointly owned or controlled by a hospital and physician group for the purpose of managed care contracting, implementation and monitoring. Other integration structures include hospital based clinics or medical practice foundations, which may purchase and operate physician practices as well as provide all administrative services to physicians. Many of these integration strategies are capital intensive and may create certain business and legal liabilities for the related hospital or health system.

Often the start-up capitalization for such developments, as well as operational deficits, may be funded by the sponsoring hospital or health system. Depending on the size and organizational characteristics of a particular development, these capital requirements may be substantial. In some cases, the sponsoring hospital or health system may be asked to provide a financial guarantee for the debt of a related entity which is carrying out an integrated delivery strategy. In certain of these structures, the sponsoring hospital or health system may have an ongoing financial commitment to support operating deficits, which may be substantial on an annual or aggregate basis.

These types of integrated delivery developments are generally designed to conform to existing trends in the delivery of medicine, to implement anticipated aspects of health care reform, to increase physician availability to the community and/or enhance the managed care capability of the affiliated hospital and physicians. However, these goals may not be achieved, and, if the development is not functionally successful, it may produce materially adverse results that are counterproductive to some or all of the above-stated goals.

All such integrated delivery developments carry with them the potential for legal or regulatory risks in varying degrees. Such developments may call into question compliance with the Medicare anti-referral laws, relevant antitrust laws, and federal or state tax exemption. Such risks will turn on the facts specific to the implementation, operation or future modification of any integrated delivery system. MSOs which operate at a deficit over an extended period of time may raise significant risks of investigation or challenge regarding tax exemption or compliance with the Medicare anti-referral laws. In addition, depending on the type of development, a wide range of governmental billing and other issues may arise, including questions of the authorization of the entity to bill for or on behalf of the physicians involved. Other related legal and regulatory risks may arise, including employment, pension and benefits, and corporate practice of medicine, particularly in the current atmosphere of frequent and often unpredictable changes in federal and state legal requirements regarding health care and medical practice. The potential impact of any such regulatory or legal risks on the Hospital cannot be predicted with certainty. There can be no assurance that such issues and risks will not lead to material adverse consequences in the future.

Managed Care

The Hospital contracts with several third party payers. In many markets, including Indiana, managed care plans, primarily health insuring corporations (“HICs”), also known as health maintenance organizations (“HMOs”), preferred provider organizations (“PPOs”), point of service arrangements (“POS”) and self-insured employer plans covered by ERISA and administered by a third party (“ASOs”) have largely replaced indemnity insurance as the prime source of nongovernmental payment for provider services. Such “managed care” plans generally use discounts, direction mechanisms, risk-transfer mechanisms and other economic and non-economic incentives to reduce or limit the cost and utilization of health care services. In these markets, hospital inpatient utilization and hospital inpatient revenues per admission have declined as managed care plans penetrate regional markets. In addition, Medicare and Medicaid have instituted managed care contracting programs in certain states, including Indiana, as discussed above.

Under a PPO arrangement, there generally are financial incentives for subscribers to use only those hospitals or providers which contract with the PPO. Under most HIC/HMO plans, private payers limit coverage to those services provided by selected hospitals. With this contracting authority, private payers, including health plans and HICs/HMOs, may direct patients away from nonselected hospitals by denying coverage for services provided by them and providing coverage but with significant financial obligations on the part of the patients.

Most PPOs and HICs/HMOs currently pay hospitals on a discounted fee-for-service basis or on a discounted fixed rate per day of care. Many health care providers do not have complete information about their actual costs of providing specific types of care, particularly since each patient presents a different mix of services and length of stay. Consequently, the discounts offered to HICs/HMOs and PPOs may result in payment at less than actual cost and the volume of patients directed to a hospital may vary significantly from projections. Changes in utilization of certain services may be dramatic and unexpected.

Under a POS arrangement, there are financial incentives for subscribers to use a closed panel of hospitals or providers, but subscribers also are able to use hospitals or providers that do not contract with the network. Use of such non-contracting hospitals or providers requires an increased financial contribution from the subscribers, typically in the form of an increased coinsurance or deductible. If the popularity of POS plans increases, more patients may have more freedom to determine where they will obtain their health care and it will become increasingly difficult for health care providers to maintain and/or increase market share by contracting with managed care plans, networks, and other similar entities.

The Hospital has entered into contractual arrangements with PPO, HIC/HMO, ASO and traditional insurers pursuant to which the particular hospital agrees to perform certain health care services for eligible participants at discounted rates. Revenues received under such contracts are expected to be sufficient to cover the variable cost of the services provided.

Some HICs/HMOs mandate a “capitation” payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HIC/HMO who is “assigned” to, or otherwise directed to receive care at, a particular hospital. In a capitation payment system, the hospital assumes an insurance risk for the cost and scope of care given to such enrollees. In some cases, the capitated payment covers total patient care provided, including physician charges. HMOs/HICs also sometimes use other forms of risk-transfer, such as basing payment on a percentage of the subscriber’s premium. If payment under an HMO/HIC contract is insufficient to meet the hospital’s costs of care, the financial condition of the hospital could erode rapidly and significantly. Often, contracts are enforceable for a stated term, regardless of hospital losses. Further, HMO/HIC contracts are statutorily required to contain a requirement that the hospital care for enrollees for a certain period of time regardless of whether the HMO/HIC has funds to make payment to the hospital. Moreover, statutory requirements also prohibit providers from “balance billing” subscribers, even in the circumstance of an insolvency of an HMO/HIC. Contractual requirements sometimes extend balance billing restrictions and continuity of care obligations to PPOs and ASOs.

Increasingly, physician practice groups and independent practice associations have become a part of the process of negotiating payment rates to hospitals. This involvement has taken many forms, but typically increases the competition for limited payment resources from HMOs/HICs, PPOs and other third party payors. Also, it is reasonable to expect that as payors and employers attempt to limit the amount they will pay for health care, that consumers will be responsible for a larger share of their health care expenses. This could lead to the widespread development of a health care market where patients (and not payors) make the determination as to where to obtain care.

In regions where managed care is becoming prevalent, hospitals must be capable of attracting and maintaining managed care business, often on a regional basis. To do so, regional coverage and aggressive pricing may be required. However, it is also essential that contracting hospitals be able to provide the contracted services without significant operating losses, which may require innovative cost containment efforts. There is no assurance that the Hospital will maintain managed care contracts or obtain other similar contracts in the future. Failure to obtain or maintain contracts could have the effect of materially reducing the market share patient base and gross revenues of the Hospital. Conversely, participation may maintain or increase the patient base, but could result in materially lower net income to the Hospital if it is unable to promptly and adequately contain their costs.

There can be no assurance that managed care contracts entered into by the Hospital with managed care payors will be renewed by such payors upon expiration thereof or will not be terminated prior to expiration thereof. Termination, or expiration without renewal, of managed care contracts could have a material adverse effect on the future financial condition or results of operations of the Hospital.

As a consequence of such factors, the effect of managed care on the future financial condition of the Hospital is difficult to predict and may be materially adverse.

Charity Care, Underinsured and Uninsured Patients

Recently, focus has increased on the provision of charity care by nonprofit health care institutions and their pricing policies and billing and collection practices involving the underinsured and uninsured. This increased focus has resulted in congressional hearings, governmental inquiries (including by the IRS) and private class action litigation against more than 100 nonprofit health care institutions nationwide, generally alleging the overcharging of underinsured and uninsured patients. Although the Hospital is not a party to the class action litigation, management of the Hospital cannot predict the impact that these or related developments may have on the Hospital or the health care industry generally.

Bond Rating

There is no assurance that the rating assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could be to adversely affect the market price for and marketability of such Bonds.

Additional Risk Factors

The following factors, among others, may also adversely affect the operation of health care facilities, including the facilities of the Hospital, to an extent that cannot be determined at this time:

- Increased efforts by insurers and governmental agencies to limit the cost of hospital services (including, without limitation, the implementation of a system of prospective review of hospital rate changes and negotiating discounted rates), to reduce the number of hospital beds and to reduce utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety, and outpatient care.

- Cost increases without corresponding increases in revenue could result from, among other factors: increases in the salaries, wages, and fringe benefits of hospital and clinic employees; increases in costs associated

with advances in medical technology or with inflation; or future legislation which would prevent or limit the ability of the Hospital to increase revenues.

- Any termination or alteration of existing agreements between the Hospital and individual physicians and physician groups who render services to the patients of the Hospital or any termination or alteration of referral patterns by individual physicians and physician groups who render services to the patients of the Hospital with whom the Hospital does not have contractual arrangements.

- Future contract negotiations between public and private insurers, employers and participating hospitals, including the hospitals of the Hospital, and other efforts by these insurers and employers to limit hospitalization costs and coverage could adversely affect the level of reimbursement to the Hospital.

- The State currently does not have a program for the regulation or review of the rates charged for hospital services furnished to private-paying patients. If any such program were established, it may have an adverse effect on the revenues of the Hospital.

- An inflationary economy and difficulty in increasing room charges and other fees charged while at the same time maintaining the amount or quality of health services may affect the operating margins of the Hospital.

- The cost and effect of any future unionization of employees of the Hospital.

- The possible inability to obtain future governmental approvals to undertake projects necessary to remain competitive both as to rates and charges as well as quality and scope of care could adversely affect the operations of the Hospital.

- Imposition of wage and price controls for the health care industry, such as those that were imposed and adversely affected health care facilities in the early 1970s.

- Limitations on the availability of and increased compensation necessary to secure and retain nursing, technical or other professional personnel.

- Changes in law or revenue rulings governing the nonprofit or tax-exempt status of charitable corporations such as the Hospital, such that nonprofit corporations, as a condition of maintaining their tax exempt status, are required to provide increased indigent care at reduced rates or without charge or discontinue services previously provided.

- Efforts by taxing authorities to impose or increase taxes related to the property and operations of nonprofit organizations or to cause nonprofit organizations to increase the amount of services provided to indigents to avoid the imposition or increase of such taxes.

- Proposals to eliminate the tax-exempt status of interest on bonds issued to finance health facilities, or to limit the use of such tax-exempt bonds, have been made in the past, and may be made again in the future. The adoption of such proposals would increase the cost to the Hospital of financing future capital needs.

- Increased unemployment or other adverse economic conditions which could increase the proportion of patients who are unable to pay fully for the cost of their care. In addition, increased unemployment caused by a general downturn in the economy of the service areas of the Hospital or by the closing of operations of one or more major employers in such service areas may result in a significant change in the demographics of such service areas, such as a reduction in the population.

In the future, other events may adversely affect the operations of the Hospital, as well as other health care facilities, in a manner and to an extent that cannot be determined at this time.

Financial Information

The financial information about the Hospital in this Official Statement, including the financial statements in Appendix B, includes information about the Hospital and certain of its subsidiaries. However, only the Hospital is obligated to make any payments under the Loan Agreements and upon the Series 2006A-1 Obligation and the Series 2006B-1 Obligation and to comply with the provisions of the Loan Agreements and the Master Indenture.

Market for Bonds

Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

Labor Relations

At the present time, none of the Hospital's employees are members of unions or receive union wages and benefits. Unionization of employees or a shortage of qualified professional personnel could cause an increase in payroll costs beyond those projected. The Hospital cannot control the prevailing wage rates in its service area and any increase in such rates will directly affect the costs of its operations.

Additional Indebtedness

The Hospital and any future Members of the Obligated Group may, upon the satisfaction of certain conditions set forth in the Master Indenture, incur additional indebtedness, which may or may not constitute Obligations secured by the Master Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—PERMITTED ADDITIONAL INDEBTEDNESS" in Appendix C.

Certain Matters Relating to Security for Bonds

The Hospital's facilities are not composed of general purpose buildings and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the facilities if it were necessary to proceed against such facilities whether pursuant to a judgment, if any, against the Hospital, or otherwise. Thus, upon any default, the Bond Trustee may not realize the amount of the outstanding Bonds from the sale or lease of such facilities.

Pursuant to the terms of the Master Indenture, the Hospital may incur additional indebtedness (including additional Obligations) which is entitled to the benefits of security which does not extend to any other indebtedness (including the Series 2006A-1 Obligation and the Series 2006B-1 Obligation). Such security may include liens on the Hospital's property (including health care facilities) or any depreciation reserve, debt service or interest reserve or similar fund. See "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—PERMITTED ADDITIONAL INDEBTEDNESS" in Appendix C.

Pursuant to the provisions of the Master Indenture, certain of the rights and remedies afforded the holders of Obligations under the Master Indenture, including without limitation the right to demand acceleration of Obligations (including the Series 2006A-1 Obligation and the Series 2006B-1 Obligation), may be initiated by the holders of 25% or more in aggregate principal amount of the Obligations, subject to the right of the majority of the holders of Obligations to direct all remedies under the Master Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—DEFAULTS AND REMEDIES" in Appendix C.

Certain amendments to the Bond Indentures and the Loan Agreements may be made with the consent of the owners of not less than a majority of the principal amount of the outstanding Bonds. Certain amendments to the Master Indenture may be made with the consent of not less than 51% of the principal amount of outstanding Obligations. Such amendments may adversely affect the security of the Bondholders and, with respect to amendments to the Master Indenture, such majority may be comprised wholly or partially of the holders of Obligations other than the Series 2006A-1 Obligation and the Series 2006B-1 Obligation. As provider of the Credit Facility with respect to each related series of Bonds, Fifth Third Bank is deemed the holder of the Series 2002A-1 Obligation, the Series 2004A-1 Obligation, the Series 2006A-1 Obligation and the Series 2006B-1 Obligation. See “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURES—AMENDMENTS AND SUPPLEMENTS” and “—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE—SUPPLEMENTAL MASTER INDENTURES” in Appendix C.

The effectiveness of the security interest in Unrestricted Receivables of the Obligated Group granted in the Master Indenture may be limited by a number of factors, including (i) provisions prohibiting the direct payment of amounts due to health care providers from Medicaid and Medicare programs to persons other than such providers; (ii) the absence of an express provision permitting the assignment of receivables due under the contracts with third party payors, and present or future prohibitions against assignment contained in any applicable statutes or regulations; (iii) certain judicial decisions which cast doubt upon the right of the Bond Trustee, in the event of the bankruptcy of the a Member of the Obligated Group, to collect and retain revenues due such Member from Medicare, Medicaid and other governmental programs; (iv) commingling of proceeds of revenues with other moneys of the Obligated Group not so pledged under the Master Indenture; (v) statutory liens; (vi) rights arising in favor of the United States of America or any agency thereof; (vii) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (viii) federal bankruptcy laws which may affect the enforceability of the Master Indenture or the security interest in the revenues of the Obligated Group which are earned by the Obligated Group within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after, any effectual institution of bankruptcy proceedings by or against the Obligated Group; (ix) rights of third parties in revenues converted to cash and not in the possession of the Bond Trustee; and (x) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Indiana Uniform Commercial Code as from time to time in effect.

Enforceability of Remedies

The enforceability of the rights and remedies of the Bond Trustee, the Master Trustee or the Bondholders under the Bond Indentures, the Letters of Credit, the Loan Agreements, the Master Indenture and the Series 2006A-1 Obligation, the Series 2006B-1 Obligation, and the availability of rights and remedies to any party seeking to enforce any security interest thereunder, are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the rights and remedies provided in the Bonds, the Bond Indentures, the Letters of Credit, the Loan Agreements, the Master Indenture and the Series 2006A-1 Obligation, 2006B-1 Obligation and the rights and remedies of any party seeking to enforce any mortgage or security interest thereunder, may not be readily available or may be limited.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State and the United States of America and bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The exceptions would encompass any exercise of federal, State or local police powers (including the police powers of the State), in a manner consistent with the public health and welfare. Enforceability of Bonds, the Bond Indentures, the Letters of Credit, the Loan Agreements, the Master Indenture and the Series 2006A-1 Obligation, the Series 2006B-1 Obligation and availability of rights and remedies to any party seeking to enforce any security interest thereunder, in a situation

where such enforcement or availability may adversely affect public health or welfare may be subject to these police powers.

The provisions of the Master Indenture pursuant to which each Member of the Obligated Group guarantees the payment of any and all amounts due under any Obligation if such payments are not promptly paid by the applicable Member of the Obligated Group may not be enforceable if such payments: (a) are required with respect to payments of any Obligation which was issued for a purpose which is not consistent with the charitable purpose of the Member of the Obligated Group from which such payment is required; (b) are required to be made from any property of the Obligated Issuer from which such payment is required which is donor restricted or which is subject to a direct or express trust which does not permit the use of such property for such payment; or (c) would result in a cessation or discontinuance of any material portion of the health care or related services previously provided by the Member of the Obligated Group from which such payment is required.

There is no clear precedent in the law as to whether such payments by a Member of the Obligated Group pursuant to the guaranty provisions of the Master Indenture may be voided by a trustee in bankruptcy in the event of a bankruptcy of such Member or by third party creditors in an action brought pursuant to the fraudulent conveyance laws. Under the United States Bankruptcy Code, as amended, a trustee in bankruptcy and, under the Indiana fraudulent conveyances statute, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (i) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (ii) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code, as amended, or the Indiana fraudulent conveyances statute, or the guarantor is undercapitalized.

Application by courts of the tests of “insolvency,” “reasonably equivalent value” and “fair consideration” has resulted in a conflicting body of case law. It is possible that, in an action to force a Member of the Obligated Group other than the Hospital to make payment under the guaranty, a court might not enforce such a payment in the event it is determined that sufficient consideration for the guaranty was not received or that the incurrence of such an obligation has rendered and will render the member of the Obligated Group insolvent.

In addition, there exists common law authority and authority under state statutes for the ability of the state courts to terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the courts own motion or pursuant to a petition of the state attorney general or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

Potential Effects of Bankruptcy

If the Credit Enhancer, the Bank, the Hospital or any future Member of the Obligated Group were to file a petition for relief (or if a petition were filed against the Credit Enhancer, the Bank, the Hospital or such Member) under the Federal Bankruptcy Code, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Credit Enhancer, the Bank, the Hospital or such Member and its property. If the bankruptcy court so ordered, the Credit Enhancer’s, the Bank’s, the Hospital’s or such Member’s property, including its accounts receivable and proceeds thereof, could be used for the benefit of the Credit Enhancer, the Bank, the Hospital or such Member despite the claims of its creditors.

In a bankruptcy proceeding, the Credit Enhancer, the Bank, the Hospital or such Member could file a plan for the adjustment of its debts which modifies the rights of creditors generally, or the rights of any class of creditors, secured or unsecured. The plan, when confirmed by the court, would bind all creditors who had notice or knowledge of the plan and discharge all claims against the debtor provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-

thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Substitution of Security

Upon the effectiveness of certain amendments to the Master Indenture (see "SECURITY FOR BONDS—Amendments to Master Indenture"), under certain circumstances, the Series 2006A-1 Obligation and the Series 2006B-1 Obligation may be exchanged for the obligations of a different obligated group. This could, under certain circumstances, lead to the substitution of an obligation backed by an obligated group which is financially and operationally different than the Hospital and any then-existing other Members of the Obligated Group. The new obligated group could have substantial debt outstanding that would rank on a parity with the substitute obligations and the substitution could result in weaker credit or security for the Bondholders. The new obligated group may also have substantially different covenants than the covenants under the Master Indenture. The covenants under the Master Indenture would no longer be binding on the Hospital or any then-existing other Members of the Obligated Group. Such exchange could adversely affect the market price for or marketability of the Bonds. In order to so exchange the Series 2006A-1 Obligation or the Series 2006B-1 Obligation, the Obligated Group must meet certain requirements. See "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS—SUMMARY OF CERTAIN PROVISIONS OF THE SUPPLEMENTAL MASTER INDENTURES—SERIES 2006A-1 SUPPLEMENTAL INDENTURE" in Appendix C.

No Continuing Disclosure Obligation

Neither the Authority, the Hospital, Fifth Third Bank nor any other person has undertaken in any agreement or contract to provide to the Bond Trustee, the Master Trustee, the Underwriter, the Remarketing Agent, any holders of any Bonds, any information repository or depository, the Municipal Securities Rulemaking Board or any other person, on a periodic basis or otherwise, any financial information, financial statements, operating data or other information or any notice of any event with respect to the Bonds.

UNDERWRITING

Fifth Third Securities, Inc. (the "Underwriter"), has agreed, subject to the terms and provisions of the Bond Purchase Agreement among the Hospital, the Authority and the Underwriter (the "Series 2006A Purchase Agreement") to purchase the Series 2006A Bonds from the Authority at a purchase price equal to the principal amount thereof. The total compensation to the Underwriter in connection with the sale of the Series 2006A Bonds will be approximately \$57,000.

The Underwriter has agreed, subject to the terms and provisions of the Bond Purchase Agreement among the Hospital, the Authority and the Underwriter (the "Series 2006B Purchase Agreement" and together with the Series 2006A Purchase Agreement, the "Purchase Agreements") to purchase the Series 2006B Bonds from the Authority at a purchase price equal to the principal amount thereof. The total compensation to the Underwriter in connection with the sale of the Series 2006B Bonds will be approximately \$39,000.

The obligation of the Underwriter to accept delivery of the Series 2006A Bonds and the Series 2006B Bonds are subject to various conditions set forth in the Purchase Agreements; provided, however, that the Underwriter is obligated to purchase all of the Series 2006A Bonds and the Series 2006B Bonds if any are purchased.

It is intended that the Series 2006A Bonds will be offered to the public initially at the offering price set forth on the front page of this Official Statement. The initial public offering price may be changed from time to time by the Underwriter without giving any prior notice. The Underwriter may offer the Bonds to other dealers at prices lower than those offered to the public.

The Hospital has agreed in the Purchase Agreements to indemnify the Underwriter, Fifth Third Bank and the Authority against certain liabilities.

LITIGATION

Authority

To the knowledge of the Authority, there is not now pending or threatened any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or Authority under which the Bonds are to be issued. To the knowledge of the Authority, neither the creation, organization or existence of the Authority, nor the title of any of the present members or other officers of the Authority to their respective offices, is being contested. To its knowledge, there is no litigation pending or threatened which in any manner questions the right of the Authority to enter into the Bond Indentures with the Bond Trustee or the Loan Agreements with the Hospital or to secure the Bonds in the manner provided in the Bond Indentures and the Act.

Hospital

The Hospital has represented that no litigation or proceedings are pending or, to its knowledge, threatened against it or its officers except (i) litigation arising in the normal course of its operations and in which the probable recoveries and the estimated costs and expenses of defense will be entirely within applicable insurance policy limits (subject to applicable deductibles), or (ii) litigation in which an adverse determination would not have a materially adverse effect on its operations or condition, financial or otherwise. The Hospital has further represented that no litigation or proceedings are pending or, to its knowledge, threatened against it which in any manner question its right to effect the financing described herein.

RATING

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P"), will assign each series of the Bonds a rating of "AA-/A-1⁺" based on the delivery of the Letter of Credit for such series of the Bonds. An explanation of the significance of such ratings can only be obtained from the rating agencies furnishing the same. There is no assurance that such rating will remain in effect for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market prices of the Bonds.

TAX MATTERS RELATING TO THE TAX-EXEMPT BONDS

In the opinion of Ice Miller LLP, Indianapolis, Indiana ("Bond Counsel"), under existing laws, regulations, judicial decisions and rulings, interest on the Tax-Exempt Bonds is excludable from gross income under Section 103 of the Code for federal income tax purposes. This opinion relates only to the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Authority and the Hospital with the Tax Covenants (hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Tax-Exempt Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. Further, if, subsequent to the date of issue of the Tax-Exempt Bonds, the Interest Mode applicable to the Tax-Exempt Bonds is changed, Bond Counsel is not expressing an opinion on the effect such change would have on the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds. As described in the Tax-Exempt Bond Indenture, a favorable opinion of nationally recognized bond counsel would be required in the event of any such change in Interest Mode. See Appendix D for the form of the approving opinion of Bond Counsel.

In the opinion of Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Tax-Exempt Bonds is exempt from income taxation in the State of Indiana. This opinion relates only to the exemption of interest on the Tax-Exempt Bonds for State income tax purposes.

The Code imposes certain requirements which must be met subsequent to the issuance of the Tax-Exempt Bonds as a condition to the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes. The Hospital and the Authority will covenant not to take any action, nor fail to take any action within their respective power and control, with respect to the Tax-Exempt Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds pursuant to Section 103 of the Code (collectively, the “Tax Covenants”). The Tax-Exempt Bond Indenture, the Tax-Exempt Loan Agreement, the arbitrage certificate of the Authority and certain certificates and agreements to be delivered on the date of delivery of the Tax-Exempt Bonds establish procedures under which compliance with the requirements of the Code can be met. It is not an event of default under the Tax-Exempt Bond Indenture if interest on the Tax-Exempt Bonds is not excludable from gross income for federal income tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the date of issuance of the Tax-Exempt Bonds.

The interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Tax-Exempt Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, are all corporations transacting the business of a financial institution in the State. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code. Taxpayers should consult their own tax advisers regarding the impact of this legislation on their ownership of their Tax-Exempt Bonds.

Although Bond Counsel will render an opinion that interest on the Tax-Exempt Bonds is excludable from federal gross income and exempt from State income tax, the accrual or receipt of interest on the Tax-Exempt Bonds may otherwise affect a Bondholder’s federal or state income tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder’s particular tax status and the Bondholder’s other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Tax-Exempt Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Tax-Exempt Bonds.

CERTAIN RELATIONSHIPS

Fifth Third Bank (the provider of the Credit Facility and Liquidity Facility) and Fifth Third Securities, Inc. (the Underwriter), are indirect wholly owned subsidiaries of Fifth Third Bancorp.

B. Curtis Wilkinson is a partner in Wilkinson, Goeller, Modesitt, Wilkinson & Drummy, LLP, the law firm acting as counsel to the Hospital in connection with the issuance of the Bonds and other matters. Mr. Wilkinson is a member of the Board of Directors of Union Hospital Health Services, Inc. and the Board of Directors of IPACS, Inc. See Appendix A for a description of Union Hospital Health Services, Inc. and IPACS, Inc.

FINANCIAL ADVISOR

Raymond James and Associates, Inc., Chicago, Illinois, has served as financial advisor to the Hospital in connection with the issuance of the Bonds.

LEGAL MATTERS

The authorization and issuance of the Bonds are subject to the approval of legality by Ice Miller LLP, Indianapolis, Indiana, Bond Counsel. Bond Counsel will render opinions in substantially the form set forth in Appendix D to this Official Statement. Certain legal matters will be passed upon for the Hospital by its counsel, Wilkinson, Goeller, Modesitt, Wilkinson & Drummy, LLP, Terre Haute, Indiana, for the Authority by its counsel, the Attorney General for the State of Indiana and for Fifth Third Bank by its counsel, Barnes & Thornburg LLP, Indianapolis, Indiana.

FINANCIAL STATEMENTS

The combined financial statements of Union Hospital, Inc. and Subsidiary at August 31, 2005 and 2004, and for the years then ended, are included in Appendix B.

The combined financial statements of Union Hospital, Inc. and Subsidiary, included in Appendix B, represent the accounts and transactions of the Hospital and certain of its subsidiaries. However, upon issuance of the Bonds, the Hospital will be the only Member of the Obligated Group and no person (other than the Hospital) will be obligated to make any payments under the Loan Agreements or upon the Series 2006A-1 Obligation or the Series 2006B-1 Obligation or any other Obligations or to comply with any provisions of the Master Indenture or the Loan Agreements.

MISCELLANEOUS

The summaries or descriptions of provisions of the Act, the Bonds, the Series 2006A-1 Obligation, the Series 2006A-2 Obligation, the Series 2006B-1 Obligation, the Series 2006B-2 Obligation, the Loan Agreements, the Bond Indentures, the Master Indenture, the Series 2006A-1 Supplemental Indenture, the Series 2006A-2 Supplemental Indenture, the Series 2006B-1 Supplemental Indenture, the Series 2006B-2 Supplemental Indenture, the Letters of Credit and the Reimbursement Agreements, and all references to other materials not purporting to be quoted in full, are only brief descriptions of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly authorized, executed and delivered by the Authority.

INDIANA HEALTH AND EDUCATIONAL FACILITY
FINANCING AUTHORITY

By: /s/ Ryan C. Kitchell
Vice Chair

Approved:

UNION HOSPITAL, INC.

By: /s/ David R. Doerr
President and Chief Executive Officer

APPENDIX A

UNION HOSPITAL, INC.

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UNION HOSPITAL, INC.

General

Union Hospital, Inc. (the "Hospital") owns and operates a 343-bed not-for-profit regional medical referral center in Terre Haute, Indiana which provides comprehensive health care services to the residents of Terre Haute, Indiana and West Central Indiana, East Central Illinois, and the surrounding communities through its acute and specialty care facilities and physician medical practices. Terre Haute is situated in west central Indiana approximately 75 miles southwest of Indianapolis. The Hospital is exempt from federal income tax pursuant to Section 501(c) (3) of the Internal Revenue Code of 1986, as amended.

Union Hospital, then the Terre Haute Sanitarium, was opened in August 1892, by Dr. B. F. Swafford and Dr. L. J. Weinstein in a two-story frame residence on North Seventh Street. In 1895 it became the Union Home for Invalids, and in 1897 the name was changed to Union Hospital.

The Hospital operates a full service acute care hospital with medical-surgical, obstetric, pediatric, coronary care, post-coronary care, intensive care and maximum care units. Additionally, as the largest hospital in west-central Indiana, the Hospital is a referral center for such services as its Newborn Intensive Care Unit, the Cardiac Rehabilitation Clinic and the Regional Poison Control Center. The Hospital operates a 24-hour basis emergency room, radiology and cardio-pulmonary services. As of May 31, 2006, the Hospital has 272 acute care beds in operation, which are categorized as shown below:

<u>Service</u>	<u>Number of Operated Beds *</u>
Medical / Surgical	163
ICU / CCU	32
Obstetrical	27
Pediatrics	9
Neonatal	13
Rehabilitation	<u>28</u>
Total	272

*Figures do not include the 25 beds at West Central Community Hospital ("WCCH") in Clinton, Indiana, which operates as a division of the Hospital, as described below.

The Hospital provides full range of services to its patients as set forth in the following table:

Patient Services	
Anesthesiology	Neonatology
Angioplasty	Neurophysiology – EEG/EMG
Birthing Room/Labor, Delivery Room, Postpartum	Non-Invasive Cardiac Assessment Services
Breast Cancer Screening	Oncology Services
Cardiac Catheterization Lab	Outpatient Care Services – Freestanding
Cardiac Rehabilitation	Outpatient Care Services – Hospital Based
Cardiac Surgery	Pain Clinic
Case Management	Pediatric Therapy
Chemotherapy	Pharmacy and IV Therapy
CT Scanner	Prenatal Substance Use Prevention Program
Emergency Department	Radioactive Implants
External Beam Radiation Therapy	Radiology
Extracorporeal Shock Wave Lithotripter	Rehabilitation Outpatient Services
Family Practice Residency Program	Surgery Services – Inpatient, ASC, Orthopedic, Outpatient
Fitness Center	Social Work Services
Health Promotions – Community Health	Sports Medicine Clinic
Health Promotions – Patient Education	Therapeutic Radioisotope Facility
Mammography – Screening, Diagnostic	Therapy Services – Occupational, Physical, Respiratory and Speech
Maternal Health Clinic	Tumor Registry
Medical Psychology Services	Ultrasound
Medical Rehab Services	Women's Services
MRI	Wound Management Services

WCCH operates as a division of the Hospital and is a 25-bed Critical Access Hospital located in Clinton, Indiana. Clinton is located approximately 12 miles north of Terre Haute. During 1997, the Hospital entered into a sublease and operating agreement and a related management services agreement (collectively, the "Sublease Agreement") with WCCH (formerly Vermillion County Hospital). In December, 2005, the Hospital purchased the assets of the former Vermillion County Hospital that included all hospital property and cancelled the Sublease Agreement.

IPACS, Inc. ("IPACS") is a wholly-owned, taxable subsidiary engaged in providing collection services to hospitals, physicians of the Hospital, and other health care providers.

The combined financial statements included herein include the accounts of the Hospital (including WCCH) and IPACS. Upon issuance of the Bonds, the Hospital will be the only Member of the Obligated Group and neither IPACS nor any other person (other than the Hospital) will be obligated to make any payments under the Loan Agreements or upon the Series

2006A-1 Obligation, Series 2006B-1 Obligation or any other Obligations or to comply with any provisions of the Master Indenture or Loan Agreement.

The Hospital is related to various organizations principally through common members of the Board of Directors. These organizations include Union Hospital Foundation, Inc. (the "Foundation"), Ash Pharmacy, Inc., Union Hospital Health Services, Inc., and Visiting Nurse Association of the Wabash Valley, Inc. These affiliated organizations are not included in the combined financial statements and are not members of the Obligated Group. A majority of all fund-raising activities are conducted by the Foundation. Accordingly, unrestricted gifts and bequests received directly by the Hospital are recorded as other revenue, and restricted gifts and bequests received from the Foundation are recorded as temporarily restricted net assets until expended by the Hospital for their intended purpose. As of May 31, 2006, temporarily restricted net assets included \$4,967,837 of agency funds held by the Foundation and recognized as a receivable from that related organization.

Governance

The Hospital is governed by a 14-person self-perpetuating Board of Directors. All of the Board of Directors serves staggered terms. The President of the Hospital is appointed by the Board of Directors and has the authority and responsibility to operate all of the departments and activities of the Hospital, subject to the policies adopted by the Board of Directors.

Members of the Board of Directors

The present members of the Board of Directors, their principal occupations and their terms of office are as follows:

<u>Name/Office</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
John Lukens* <i>Chairman</i>	Executive Vice President & COO Forrest Sherer, Inc.	October 2007
David R. Doerr* <i>President</i>	President and Chief Executive Officer Union Hospital, Inc.	October 2007
Frederick T. Bauer <i>Asst. Secretary</i>	Attorney-at-Law	October 2007
Robert E. McLaughlin <i>Treasurer</i>	Retired Plant Manager Ampacet	October 2006
Daniel L. DeBard <i>Asst. Treasurer</i>	Wealth Strategies	October 2006
W. Curtis Brighton <i>Vice Chairman</i>	Executive Vice President & General Counsel Indianapolis Motor Speedway	October 2006

<u>Name/Office</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
William G. Grimes* <i>Secretary</i>	President Gartland Foundry Co., Inc.	October 2006
Anna Zimmerman, M.D.	Physician	October 2007
Robert W. Haerr, M.D.*	Physician	October 2007
Kenneth Crane, M.D.	Physician, Chief of Medical Staff	October 2006
Cindy Martin*	Owner Hux Oil Corp.	October 2006
Mark O. Lynch, M.D.	Physician	October 2007
Ward Hubbard*	President Wabash Valley Packaging Corp.	October 2007
Molly Callahan	Volunteer	October 2007

* Also member of the Board of Directors of Union Hospital Foundation, Inc.

Certain Existing Relationships

Certain directors and officers of Union Hospital, Inc. are associated with firms with which the Hospital maintains business relationships. These relationships comply with the Hospital's corporate ethics policies.

Administration

DAVID R. DOERR, President and Chief Executive Officer – Mr. Doerr, age 58, has been with Union Hospital, Inc. since 1987. Mr. Doerr was Vice President of Business Development from January 1987 to April 1989 when he was promoted to the position of Senior Vice President and acted in that capacity until January 1995 when he was promoted to Chief Operating Officer. He was appointed as Interim Chief Executive Officer in September 1999 and in February 2000 was promoted to President and Chief Executive Officer. Mr. Doerr is President of Union Hospital Foundation, Inc. and serves on the Board of IPACS, Inc. and Union Hospital Health Services, Inc. Prior to his employment with the Hospital, he was employed as Administrator of Sullivan County Community Hospital (formerly Mary Sherman Hospital) in Sullivan, Indiana. Mr. Doerr served in various leadership positions at Union Hospital from 1979 to 1982.

Mr. Doerr is a graduate of Indiana University earning his Masters Degree in Health Administration in 1979 and his B.S. in Nuclear Medicine Technology in 1976. Mr. Doerr is a member of the American College of Healthcare Executives and American Hospital Association. He has served on the Board of Directors of Clarian Health Network, VHA Central, Affiliated Hospitals of Indiana, Inc., Hamilton Mental Health Center, Visiting Nurse Association (Indianapolis), Indiana Health and Hospital Association and the Indiana State Board of Health.

Mr. Doerr has and continues to support his community in various leadership positions and has served on the Board of Directors of Greater Terre Haute Chamber of Commerce, United Way, Sullivan County Revitalization Committee, Child Protection Committee of Sullivan County DPW, Prairieton Ball Association, and the Terre Haute Boys Club.

SCOTT L. TEFFETELLER, Vice President and Chief Operating Officer, – Mr. Teffeteller, age 35, has been with Union Hospital in his current position since March 2006. Prior to joining the Hospital, Mr. Teffeteller has held various positions with healthcare organizations including Chief Operating Officer for Terre Haute Regional Hospital, and Chief Operating Officer of the Medical Center of Aurora in Denver, Colorado.

Mr. Teffeteller holds a BS in Radiology Administration from the Medical College of Virginia and a Masters of Business Administration from Averett University. He is a member of the American College of Healthcare Executives and serves on many civic organizations within the Wabash Valley Community.

WAYNE R. HUTSON, Senior Vice President of Finance / Chief Financial Officer – Mr. Hutson, age 56, has been with the hospital since 1977. He also holds officer positions with Union Hospital Foundation, Inc., Union Hospital Health Services, Inc., Ash Pharmacy of Indiana, Inc. and IPACS, Inc. Previously, he was a Senior Auditor and Consultant with Ernst & Young (formerly Ernst & Ernst). He is a graduate of Indiana State University with a B.S. degree in Accounting and Finance. As a Certified Public Accountant, he is a member of the American Institute of Certified Public Accountants, and the Illinois Society of Certified Public Accountants.

As a Fellow of the Healthcare Financial Management Association (HFMA), he has served as a National Board Member and is a Past President of the Indiana Chapter. Mr. Hutson is an associate member of the American College of Healthcare Executives, a member of Medical Group Management Association, National Rural Health Association and Indiana Health and Hospital Association Group Appeals Task Force. Mr. Hutson is active in his community and served as Past President of Wabash Valley Officials Association, Leadership Wabash Valley, and Treasurer of the United Way of the Wabash Valley. He currently serves as a board member of Family Service Association, Visiting Nurses Association, Community Theatre of Terre Haute and Goodwill Industries. He is a faculty member of the IHHA Management Institute and has been an instructor at Lakeland College and Indiana Technical College.

KYM A. PFRANK, Vice President/CIO – Mr. Pfrank, age 49, joined Union Hospital, Inc. in 1982 as the Director of Data Processing and was promoted to his current position in 1987. Before joining Union Hospital, Mr. Pfrank was the Director of Data Processing for United Samaritan Medical Center, Danville, Illinois.

Mr. Pfrank is a 1987 graduate of Indiana State University with a Masters Degree in Business Administration. He earned a Bachelor of Arts in Management from Sangamon State University in 1984 and an Associate Degree in Computer Science from Danville Area Community College. Mr. Pfrank is a Member of the American College of Healthcare Executives and Healthcare Information Management Executives. Mr. Pfrank has served on several community boards including Junior Achievement, American Cancer Society and the West Terre Haute Community Center.

CAROLYN ROESCH, Vice President Patient Care – Ms. Roesch, age 54, began her career at Union Hospital in 1974 as a Staff Nurse and has progressed through various positions of patient care responsibilities. She was promoted to her current position in early 2002.

Ms. Roesch is a 1974 graduate of Indiana State University with a BS in Nursing. She earned her Masters Degree in Business Administration in 1988. Ms. Roesch is a Certified Healthcare Executive in the American College of Healthcare Executives. She is President of VNA/Hospice, is a board member of Swope Art Museum, and is on the Nursing Advisory Council for Ivy Tech State College. Ms. Roesch is active in the community and is involved in the United Way Allocation Panel and the March of Dimes.

Hospital Service Area

The Hospital's primary service area is defined as Vigo County, Indiana. The six surrounding counties of Clark (IL), Clay, Edgar (IL), Parke, Sullivan and Vermillion comprise the Hospital's secondary service area. During 2004, 59% of the patients who were discharged from the Hospital resided in the primary service area, while 36% were residents of the secondary service area. See the Patient Origin Table below.

<u>Patient Origin</u>		
<u>County</u>	<u>Discharges *</u>	<u>% of Total</u>
Clark (IL)	1,111	7.6
Clay	1,234	8.4
Edgar (IL)	798	5.5
Parke	792	5.4
Sullivan	465	3.2
Vermillion	828	5.7
Subtotal	5,228	35.8
Vigo	8,559	58.5
Other Counties	832	5.7
Total	14,619	100.0

Source: 2004 Indiana Health and Hospital Association Discharge Study

*Figures do not include discharges from WCCH.

According to the U.S. Census, the primary service area population was 106,107 in 1990, 105,848 in 2000, and estimated to be 102,592 in 2005. According to the Indiana Department of Workforce Development, unemployment in the primary service area was 6.7% in March 2006.

Comparative Analysis of Primary Service Area Hospitals

The Hospital is the leading provider of health care services within its primary service area. Terre Haute Regional Hospital is the only other hospital in the Hospital's primary service area. There are a total of three unrelated general acute care hospitals located in the Hospital's secondary service area. These include St. Vincent Clay Hospital (Brazil, IN), Sullivan County Community Hospital (Sullivan, IN) and Paris Community Hospital (Paris, IL). Each of these hospitals typically provides primary care services to persons residing near their locations.

The following table provides utilization and market share information for the primary service area (Vigo County only).

<u>Hospital</u>	<u>Operated Beds</u>	<u>2004 Discharges</u>	<u>Average Daily Census</u>	<u>Occupancy Rate %</u>	<u>Market Share %</u>
Union Hospital*	275	8,559	178	65%	57%
Terre Haute Regional Hospital	204	4,956	101	49%	33%

Source: Indiana Department of Health Annual 2004 Service Report and 2004 Indiana Hospital and Health Association Discharge Study. Market share is for Vigo County only. Figures are for calendar year 2004 only.

*Figures exclude WCCH.

The Medical Staff

As of April 30, 2006, the Hospital's Active and Provisional Medical Staff Members consisted of approximately 222 physicians. Of the 222 physicians, 84% are Board Certified or Board Eligible. In addition, there are 17 Family Practice Residents who are members of the Hospital's Medical Staff. The Hospital's Active and Provisional Medical Staff members represent 32 specialties. The average age of the Active and Provisional Staff as of April 30, 2006 was 47 years. Approximately 65 of the Active and Provisional Staff members are members of the Associated Physicians and Surgeons Clinic, a multi-specialty group practice with facilities located throughout the Hospital's primary service area. Seventeen (17) of the Active, Provisional and Courtesy Staff members are Primary Care physicians employed by the Hospital. Additionally, the Hospital employs 8 Radiologists and 4 Anesthesiologists who would be Active and/or Provisional Staff members.

As of April 30, 2006, WCCH's Active and Provisional Medical Staff membership consisted of approximately 42 physicians. Of the 42 physicians 80% are Board Certified or Board Eligible. The average age of the Active and Provisional Staff was approximately 47 years.

Historical Utilization

The table below sets forth certain historical utilization information for the Hospital and WCCH.

	Years Ending August 31		Nine Months Ended May 31	
	2005	2004	2006	2005
Operated beds	293	304	297	293
Admissions	14,625	14,815	11,641	10,967
Patient days	66,629	68,826	50,588	47,219
Average length of stay (days)	4.6	4.6	4.3	4.3
Average occupancy	62%	62%	62%	59%
Total surgeries	20,314	20,781	15,375	15,184
Emergency room visits	55,057	53,021	41,474	30,878

Source: Hospital records

Accreditation and Affiliations

The Hospital has been accredited by the Healthcare Facilities Accreditation Program (HFAP) for three years ending 2007. The Hospital is also accredited by the American Association of Blood Banks, the Indiana State Department of Health and the College of American Pathologists. The Hospital is certified by the Department of Health and Human Services for participation in the Medicaid and Medicare programs. The Hospital's Cancer Program (the Hux Cancer Center) is approved by the American College of Surgeons and American College of Radiology for Radiation Therapy. The Family Practice Residency Program is accredited by the Accreditation Council for Graduate Medical Education. The Medical Rehabilitation Unit is accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF).

The Hospital has a shared services program providing pharmacy, physical therapy, speech therapy and occupational therapy to area hospitals and other health-related organizations. The Hospital is a member of the American Hospital Association, Indiana Hospital Association and VHA Central, a voluntary organization of statewide hospitals that provides group purchasing, managed care contracts, and administrative support services.

Affiliations with Clarian Health Partners

The Hospital and Clarian Health Partners Inc. ("Clarian") have recently executed a nonbinding Letter of Intent to form a closer affiliation between the two entities over the next several months. The Hospital and Clarian will work to develop a more formal agreement that will create an optimal relationship for each organization to enhance the level of clinical and service excellence for the patients they serve. If such an affiliation goes forward, Clarian would become the sole corporate member of the Hospital. Clarian and the Hospital would retain a separate credit structure until such time as the Obligated Group participates in a potential financing for the construction of a replacement hospital facility in Terre Haute, Indiana.

Upon issuance of the Bonds, the Hospital will be the only Member of the Obligated Group and neither Clarian nor any other person (other than the Hospital) will be obligated to make any payments under the Loan Agreement or upon the Series 2006A-1 Obligation, Series 2006B-1 Obligation or any other Obligations or to comply with any provisions of the Master Indenture or the Loan Agreement.

Medical Education Programs

The Hospital has several teaching affiliations, which strengthen its ability to deliver quality healthcare services. Under a 1975 Agreement, the Hospital, the Indiana University School of Medicine and Indiana State University established the Terre Haute Center for Medical Education. Indiana University medical students may take their first year of classes at Indiana State University and their second year of classes at the Hospital; they then transfer to Indiana University to continue their undergraduate education. The Hospital began a Family Practice Residency Program in 1976 in conjunction with the Indiana statewide Medical Education System. The Family Practice Center, located adjacent to the Hospital, houses the Residency Program along with several physician offices. The Family Practice Residency Program has an accredited track in Rural Health Care. This program is the only one of its kind in the country.

The Hospital has teaching agreements to provide clinical training in Radiology for students from Olney Community College and Ivy Tech State College; Respiratory Therapy training for Ivy Tech State College, Vincennes University and Indiana University-Purdue University of Indianapolis; Operating Room Tech training for Vincennes University and Ivy Tech State College; Physical Therapy training for Indiana University, University of Indianapolis, University of Tennessee at Chattanooga, Maryville University, Vincennes University, Kaskaskai College and the University of Evansville; Occupational Therapy training for Indiana University, St. Ambrose College, Spaulding University and University of Indianapolis; Speech Therapy training for Indiana State University, Eastern Illinois University, Western Illinois University and Ohio University; Pharmacy provides externships for senior pharmacy students from Butler University and Purdue University; laboratory clinical training for students from Ivy Tech State College; and therapeutic dietary training for Indiana State University students.

The Hospital also has teaching agreements to provide clinical training for nurses from Indiana State University, Ivy Tech State College and Lincoln Trail College.

Employees

As of May 31, 2006, the Hospital employed approximately 2,198 full-time and part-time employees, which equates to 1,872 full-time equivalents. The Hospital provides a range of benefits that are competitive with other hospitals in the central Indiana market place. None of the Hospital's employees are represented by a labor organization.

Pension Plan

The Hospital's Employee Pension Plan is a noncontributory defined benefit plan covering substantially all employees of Union Hospital, Inc. and certain employees of affiliated organizations.

Insurance and Litigation

The Hospital maintains insurance for its medical malpractice and other corporate liability needs through the Indiana Healthcare Reciprocal Risk Retention Group. The insurance portfolio is part of an overall formalized risk management program that has, as its primary purpose, the protection of corporate assets in order to maintain the viability of the Hospital. Coverage levels are reviewed regularly and adjusted to reflect current conditions.

The Hospital is qualified as a health care provider under the Indiana Medical Malpractice Act, Indiana Code 34-18-1-1 et seq. (the "Medical Malpractice Act"). The Medical Malpractice Act limits the damage liability for malpractice claims against qualified health care providers. The law provides for a mandatory State Patient's Compensation Fund (the "Fund") to which a qualified health care provider contributes a surcharge. The amount of the surcharge is established by the Department of Insurance based on an actuarial program. The amount of each hospital must be sufficient to cover but may not exceed the actuarial risk posed to the Fund by the Hospital. For malpractice incidents occurring after December 31, 1989 and before July 1, 1999, the Medical Malpractice Act provides for a maximum recovery of \$750,000 per claim. For malpractice incident occurring after June 30, 1999, the Medical Malpractice Act provides for maximum recovery of \$1,250,000. Prior to July 1, 1999, a health care provider was liable for up to \$100,000 of the maximum recovery. Beginning July 1, 1999, the provider's share increased to \$250,000. The excess is paid by the Fund. Various aspects of the Medical Malpractice Act, including the limitations on recovery, have been upheld on constitutional grounds by the Indiana Supreme Court.

The Hospital has an in-house risk manager who works closely with representatives and committees of the Indiana Healthcare Reciprocal Risk Retention Group and representatives of its other insurance carriers. Outside legal defense counsel is used to handle any litigation associated with claims against the Hospital. In addition to the State Compensation Fund, the Hospital carries up to \$1,000,000 of comprehensive general liability insurance for liability to patients from fire, lightening, windstorm, hail, explosion, riot and civil commotion, smoke, vandalism, malicious theft and collapse of building. The Hospital also insures certain of its employed physicians in amounts required by the Medical Malpractice Act, with any physicians who practice in the State of Illinois having limits of \$1,000,000 per occurrence and \$3,000,000 aggregate.

The Hospital also maintains a comprehensive portfolio of other insurance including general liability, commercial automobile, fiduciary, and directors and officers, workers compensation in amounts that are customary for hospitals of similar size and location.

The nature of the Hospital's business generates a certain amount of litigation against the Hospital arising in the ordinary course of business. These may include both malpractice actions, as well as general liability type actions. Generally, any such claims are covered by insurance and the defense and payment of any settlement or judgment are made from insurance coverage. Hospital management, after discussion with its legal counsel, believes that the ultimate result of the legal proceedings and claims, either covered by insurance or not covered by insurance, will not have a materially adverse effect upon the Hospital's financial condition or results of operation and, in their opinion, there are no proceedings pending or threatened to which the Hospital is or may be a party, to which its property is or may be subject, and which, if adversely determined by the Hospital, would have a materially adverse effect upon the Hospital's financial condition or results of operation.

Third Party Payments

Payments on behalf of patients are made to the Hospital by commercial insurance carriers, by the federal government under the Medicare Program, by State governments under the Medicaid Program, and by patients from their own personal resources. A comparison of the aggregate percentages of patient revenues by payor for the years ended August 31, 2005 and 2004 were as follows:

Source of Payment	Percent of Revenue *	
	August 31, 2005	August 31, 2004
Medicare	46%	46%
Medicaid	11	11
Commercial Insurance	29	28
HMO / PPO	6	7
Self-Pay and Other	8	8
	100%	100%

Source: Hospital records

*Figures include WCCH.

Historical Financial Information

The following financial data should be read in conjunction with the combined financial statements and the related notes thereto of Union Hospital, Inc. and Subsidiary at August 31, 2005 and 2004 and for the years then ended included in Appendix B to this Official Statement. The interim financial information for the nine months ended May 31, 2006 and 2005 has been derived from unaudited financial statements not included in this Official Statement and which, in the opinion of management, include all material adjustments necessary for a fair statement of the results for the unaudited interim periods. The following financial data includes WCCH and IPACS.

Combined Balance Sheets

	August 31		May 31	
	2005	2004	2006	2005
	(in thousands of \$)			
Current assets	\$ 85,414	\$ 81,092	\$ 82,444	\$ 86,356
Noncurrent assets	112,325	104,657	121,511	107,574
Total assets	<u>\$ 197,739</u>	<u>\$ 185,749</u>	<u>\$ 203,955</u>	<u>\$ 193,930</u>
Current liabilities	\$ 25,674	\$ 26,443	\$ 27,468	\$ 28,121
Noncurrent liabilities	59,333	57,563	57,035	57,591
Net assets	112,732	101,743	119,452	108,218
Total liabilities and net assets	<u>\$ 197,739</u>	<u>\$ 185,749</u>	<u>\$ 203,955</u>	<u>\$ 193,930</u>

Combined Statements of
Operations and Changes in Net
Assets

	Years Ending August 31		Nine Months Ended May 31	
	2005	2004	2006	2005
	(in thousands of \$)			
Unrestricted revenue and other support:				
Net patient service revenue	\$ 245,814	\$ 230,740	\$ 201,451	\$ 180,549
Other revenue	8,020	9,637	7,714	5,957
Total unrestricted revenue and other support	\$ 253,834	\$ 240,377	\$ 209,165	\$ 186,506
Expenses:				
Salaries, wages and benefits	\$ 110,695	\$ 105,771	\$ 89,906	\$ 81,381
Medical supplies and drugs	53,862	49,906	44,619	39,599
Contract and purchased services	43,451	36,792	34,466	32,066
Utilities, supplies and other	9,416	11,411	7,694	7,288
Provision for doubtful accounts	16,692	13,766	15,698	11,337
Depreciation and amortization	8,871	8,271	7,279	6,451
Interest	1,214	1,539	1,655	1,000
Total expenses	<u>\$ 244,201</u>	<u>\$ 227,456</u>	<u>\$ 201,317</u>	<u>\$ 179,122</u>
Nonrecurring Charges	<u>95</u>	<u>4,863</u>	<u>589</u>	<u>72</u>
Net income	\$ 9,538	\$ 8,058	\$ 7,259	\$ 7,312
Net unrealized (depreciation) appreciation of investments	\$ 299	\$ 264		\$ 264
Transfers for property and equipment additions	1,118	944	524	944
Other, net	(91)	(57)	340	(57)
Increase in temporarily restricted assets	<u>124</u>	<u>622</u>		<u>622</u>
Increase in net assets	10,988	9,832	8,123	9,085
Net assets at beginning of year	101,744	91,912	112,732	101,743
Net assets at end of year	<u>\$ 112,732</u>	<u>\$ 101,744</u>	<u>\$ 120,855</u>	<u>\$ 110,828</u>

Historical and Pro-Forma Debt Service Coverage

The following table sets forth the calculation of debt service coverage of the Hospital for the periods ended as shown. The pro-forma information is presented as if the Bonds had been issued as of the beginning of such periods.

(In Thousands of \$)

	August 31	
	2005	2004
Net Income Available for Debt Service:		
Net Income	\$9,538	\$8,058
Interest	1,214	1,539
Depreciation and amortization	8,871	8,271
Total Income Available ¹	\$19,623	\$17,868
Maximum Annual Debt Service ²	\$4,497	\$4,497
Debt Service Coverage Ratio	4.36	3.97
Pro-forma Maximum Annual Debt Service ²	\$6,121	\$6,121
Pro-forma Debt Service Coverage Ratio	3.21	2.92

¹ Includes WCCH and IPACS.

² Maximum annual debt service and pro-forma maximum annual debt service is calculated based on an interest rate of (i) 2.99% with respect to the Authority's Variable Rate Demand Revenue Bonds Series 2002 (Union Hospital, Inc. Project) and the Tax-Exempt Bonds and (ii) 4.34% with respect to the Hospital's Adjustable Rate Taxable Securities Series 2004 and the Taxable Bonds. Neither maximum annual debt service nor pro-forma maximum annual debt service is calculated in conformity with the covenants in the Master Indenture.

Future Plans

The Bonds are being issued to fund, in part, design and construction activities and purchasing of equipment pertaining to a new comprehensive cancer treatment facility, a new central energy plant and a new out-patient ambulatory surgery center, all to be constructed on the Hospital's campus. The Hospital's Master Facility Plan contemplates the construction of a new replacement hospital which will be located on the current Hospital campus with current plans contemplating construction to commence in the second half of 2007. No decision has been made for any further implementation of the Master Facility Plan.

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APPENDIX B
FINANCIAL STATEMENTS⁽¹⁾

⁽¹⁾The combined financial statements of Union Hospital, Inc. and Subsidiary, included in this Appendix B, represent the accounts and transactions of the Hospital and certain of its subsidiaries. However, upon issuance of the Bonds, the Hospital will be the only Member of the Obligated Group and no person (other than the Hospital) will be obligated to make any payments under the Loan Agreements or upon the Series 2006A-1 Obligation or the Series 2006B-1 Obligation or any other Obligations or to comply with any provisions of the Master Indenture or the Loan Agreements.

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COMBINED FINANCIAL STATEMENTS

Union Hospital, Inc. and Subsidiary
Years Ended August 31, 2005 and 2004

Union Hospital, Inc. and Subsidiary

Combined Financial Statements

Years Ended August 31, 2005 and 2004

Contents

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Report of Independent Auditors

Board of Directors
Union Hospital, Inc.

We have audited the accompanying combined balance sheets of Union Hospital, Inc. and Subsidiary as of August 31, 2005 and 2004, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Union Hospital, Inc.'s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Union Hospital, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Union Hospital, Inc. and Subsidiary at August 31, 2005 and 2004, and the combined results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

October 18, 2005

Union Hospital, Inc. and Subsidiary

Combined Balance Sheets

	August 31	
	2005	2004
Assets		
Current assets:		
Cash and cash equivalents		
Operating	\$ 24,144,912	\$ 24,290,744
Trustee-held funds	1,969,221	2,351,905
	<u>26,114,133</u>	<u>26,642,649</u>
Patient accounts receivable, less allowances for doubtful accounts (2005 – \$13,875,000; 2004 – \$7,894,000)	48,640,243	42,396,999
Estimated receivables from third-party payors	103,028	—
Other receivables	199,668	157,550
Inventories, prepaid expenses, and other current assets	10,357,347	11,895,139
Total current assets	<u>85,414,419</u>	<u>81,092,337</u>
Investments limited as to use, less current portion:		
Funds held by trustee	6,182,219	8,375,565
Board designated capital and debt reserve funds	14,329,192	11,972,730
Temporarily restricted funds	1,278,971	1,510,233
Total investments limited as to use, less current portion	<u>21,790,382</u>	<u>21,858,528</u>
Property and equipment:		
Costs	193,612,293	183,827,719
Less allowances for depreciation	(111,744,792)	(108,257,995)
Total property and equipment	<u>81,867,501</u>	<u>75,569,724</u>
Other assets:		
Due from Union Hospital Foundation, Inc.	5,690,074	5,617,548
Other	2,977,017	1,610,710
Total other assets	<u>8,667,091</u>	<u>7,228,258</u>
Total assets	<u><u>\$ 197,739,393</u></u>	<u><u>\$ 185,748,847</u></u>

	August 31	
	2005	2004
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,610,340	\$ 11,346,022
Salaries, wages, and related liabilities	14,530,582	12,419,019
Estimated payables to third-party payors	-	235,813
Current portion of long-term debt	1,532,969	2,441,691
Total current liabilities	25,673,891	26,442,545
Noncurrent liabilities:		
Deferred revenue	1,284,225	1,130,596
Accrued pension cost	2,701,350	4,201,957
Long-term debt, less current portion	55,347,653	52,230,212
	59,333,228	57,562,765
Net assets:		
Unrestricted	104,241,429	93,376,582
Temporarily restricted	8,490,845	8,366,955
	112,732,274	101,743,537
 Total liabilities and net assets	 \$ 197,739,393	 \$ 185,748,847

See accompanying notes.

Union Hospital, Inc. and Subsidiary

Combined Statements of Operations and Changes in Net Assets

	Years Ended August 31	
	2005	2004
Unrestricted revenue and other support:		
Net patient service revenue	\$ 245,814,335	\$ 230,739,933
Other revenue	8,019,917	9,637,308
Total unrestricted revenue and other support	253,834,252	240,377,241
Expenses:		
Salaries and wages	88,029,371	82,189,419
Benefits	22,665,874	23,582,209
Medical supplies and drugs	53,861,989	49,906,445
Physician services	10,377,168	8,923,275
Contract services	24,691,494	20,511,670
Equipment and building rent	8,382,653	7,356,603
Utilities, supplies and other	9,416,064	11,410,791
Provision for doubtful accounts	16,691,880	13,766,278
Depreciation and amortization	8,870,852	8,270,598
Interest	1,214,242	1,538,723
	244,201,587	227,456,011
Nonrecurring charges:		
Loss on extinguishment of debt	—	2,166,660
Loss on disposal of property and equipment	94,632	2,696,270
	94,632	4,862,930
Total expenses	244,296,219	232,318,941
Net income	9,538,033	8,058,300

Union Hospital, Inc. and Subsidiary

Combined Statements of Operations and Changes in Net Assets (continued)

	Years Ended August 31	
	2005	2004
Beginning net assets:	\$ 101,743,537	\$ 91,911,540
Unrestricted net assets		
Net income	9,538,033	8,058,300
Net unrealized appreciation of investments	299,034	264,152
Transfers for property and equipment additions	1,118,407	943,824
Other, net	(90,587)	(56,604)
Increase in unrestricted net assets	10,864,887	9,209,672
Temporarily restricted net assets		
Contributions from a related organization and other	1,424,000	1,480,550
Transfers for property and equipment additions	(1,118,407)	(943,824)
Net unrealized appreciation of investments	79,347	200,807
Investment income	63,441	51,312
Specific purpose expenditures and other	(324,531)	(166,520)
Increase in temporarily restricted net assets	123,850	622,325
Increase in net assets	10,988,737	9,831,997
Net assets at end of year	\$ 112,732,274	\$ 101,743,537

See accompanying notes.

Union Hospital, Inc. and Subsidiary

Statements of Cash Flows

	Years Ended August 31	
	2005	2004
Cash flows from operating activities		
Increase in net assets	\$ 10,988,737	\$ 9,831,997
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,870,852	8,270,598
Equity in net (income) loss of joint venture and other	(416,190)	116,619
Net periodic pension cost	2,691,517	4,022,723
Loss on disposals of property	94,632	2,696,270
Net unrealized appreciation of investments	(378,381)	(264,152)
Cumulative effect of change in accounting for investments		
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(6,243,244)	(2,788,342)
Other current assets	1,834,613	(3,389,558)
Accounts payable and accrued liabilities	(1,582,043)	184,597
Salaries, wages, and related liabilities	1,519,439	1,057,778
Estimated settlements to third-party payors	(338,841)	(250,501)
Net cash provided by operating activities	17,041,091	19,488,029
Investing activities		
Purchases of property and equipment, net	(16,243,366)	(20,721,265)
Transfers from donor restricted funds for purchase of property and equipment	1,118,407	943,824
Net transfers into board designated funds	(2,159,930)	(772,456)
Purchase of trustee held investments	(3,887,601)	(79,816,732)
Release of trustee held funds for construction, debt service and other	6,415,712	83,533,749
Pension plan funding	(4,090,124)	(3,702,000)
Other investing activities, net	(548,740)	(797,863)
Net cash used in investing activities	(19,395,642)	(21,332,743)
Financing activities		
Issuance of long-term debt	8,000,000	4,748,884
Payment of call premium on extinguishment of long-term debt	—	(690,000)
Repayments of long-term debt and other	(5,791,281)	(5,021,614)
Net cash provided by (used in) financing activities	2,208,719	(962,730)
Decrease in cash and cash equivalents	(145,832)	(2,807,444)
Cash and cash equivalents at beginning of year	24,290,744	27,098,188
Cash and cash equivalents at end of year	\$ 24,144,912	\$ 24,290,744
<i>See accompanying notes.</i>		

Union Hospital, Inc. and Subsidiary

Combined Financial Statements

August 31, 2005

1. Organization

Nature of Operations

Union Hospital, Inc. is a not-for-profit, regional medical referral center which provides comprehensive health care services to the residents of Terre Haute and West Central Indiana, East Central Illinois, and the surrounding communities through its acute and specialty care facilities and physician medical practices. The Hospital is exempt from federal income taxes pursuant to Section 501(a) of the Internal Revenue Code.

The combined financial statements include the accounts of Union Hospital, Inc., West Central Community Hospital (WCCH), and IPACS, Inc. (IPACS) (collectively the Corporation). WCCH, a designated Critical Access Hospital, operates as a division of the Hospital and is a 25-bed general, acute care hospital located in Clinton, Indiana. IPACS is a wholly owned, taxable subsidiary engaged in providing collection services to hospitals, physicians, and other health care providers. Intercompany accounts and transactions have been eliminated.

The Corporation is related to various organizations principally through common members of the Board of Directors. These organizations include Union Hospital Foundation, Inc., Ash Pharmacy, Inc., Union Hospital Health Services, Inc., and Visiting Nurse Association of the Wabash Valley, Inc. These affiliated organizations are not included in the combined financial statements. In addition, a majority of all fund-raising activities are conducted by Union Hospital Foundation, Inc. (Foundation). Accordingly, unrestricted gifts and bequests received directly by the Corporation are recorded as other revenue, and restricted gifts and bequests received by the Foundation are recorded as temporarily restricted net assets until expended by the Corporation for their intended purpose.

Charity Care and Community Benefit

Patients are provided care regardless of their ability to pay in accordance with charity care policies of the Corporation. These policies define charity care services as those services for which no or reduced payment is anticipated and are based on federal poverty income levels and certain other factors. Because collection of amounts determined to qualify as charity care are not pursued, such amounts are not reported as revenue. Charity care provided by the Corporation in 2005 and 2004 measured at established rates amounted to \$9,936,533 and \$9,686,273 respectively. The Corporation's charity care policies also extend to services provided by physicians, although records are not maintained for such services provided by the physicians.

Union Hospital, Inc. and Subsidiary
Combined Financial Statements (continued)

1. Organization (continued)

Charity Care and Community Benefit (continued)

The Corporation also provides programs and services to address the needs of the community, generally at no, or low, cost to those being served. Specific community needs being addressed by the Corporation include, among others, low weight births and infant mortality, high incidence of, and deaths from, certain diseases and chronic illnesses, underserved populations, adequacy of the supply of physicians and other health care providers, and certain behavioral risk factors. The Corporation's programs and services include, among others, services to low-income women in need of prenatal care, health screenings for underserved women, wellness and injury prevention programs, chronic disease management assistance, educational programs, rural health care access and availability initiatives, transportation services for elderly and low-income patients, and access to support groups for critically and chronically ill patients and their families. Assistance is also provided to senior citizens and other patients and their families for the submission of forms for insurance, financial counseling, and application to the Medicare and Medicaid programs for health service coverage. The Corporation periodically reviews, modifies, and reports on its Community Health Assessment and Plan of Action for the communities served.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the allowance for doubtful accounts and estimated payables to third-party payors, at the date of the financial statements. Actual results could differ from management's estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased. The carrying amounts reported in the combined balance sheets for cash equivalents approximate fair value.

Union Hospital, Inc. and Subsidiary
Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Patients Accounts Receivable, Estimated Payables to Third-Party Payors, and Net Patient Service Revenue

Patients accounts receivable and net patient service revenue are reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered. Net patient service revenue includes estimated retroactive adjustments under reimbursement agreements with certain third-party payors (principally for the Medicare program). Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, adjusted in future periods as final settlements are determined, and are included with estimated payables to third-party payors.

Inventories

Inventories are determined by physical count and stated at average cost, which is not in excess of market.

Investments Limited as to Use

Investments are stated at fair value. The fair value of assets are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Dividends and interest income and realized gains and losses on sales of investments are recorded as other revenue. Unrealized appreciation and depreciation of investments are reported as other changes in net assets in the combined statements of operations and changes in net assets.

Investments are generally commingled for investment purposes and consist of short-term investments (principally money market mutual funds), U.S. government and governmental agency obligations, corporate obligations, and marketable equity securities. Fair values for investments are based on quoted market prices.

Investments Limited as to Use

Investments limited as to use include investments set aside by the Board of Directors for future capital improvements and retirement of debt over which the Board retains control and may, at its discretion, subsequently use for other purposes; investments held by trustees under bond indenture agreements; and donor restricted funds. Amounts that are required for obligations classified as current liabilities are reported in current assets.

Union Hospital, Inc. and Subsidiary
Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at date of donation. Interest costs incurred as part of the related construction are capitalized during the period of construction. Net interest costs capitalized amounted to \$215,153 in 2005 and \$124,691 in 2004.

Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

Pension Plan

A noncontributory defined benefit pension plan covers substantially all employees. Plan benefits are based on years of service and the employee's compensation. Contributions to the plan include amortization of prior service costs plus interest thereon and are funded currently (see Note 8).

Financial Instruments

Financial instruments consist of cash and cash equivalents, patient accounts receivable, investments for debt service and property replacement, accounts payable and accrued liabilities, estimated payables to third-party payors, and long-term debt. The carrying amounts reported in the combined balance sheets for cash and cash equivalents, patient accounts receivable, estimated payables to third-party payors, accounts payable and accrued liabilities, and long-term debt approximate fair value.

Unamortized Debt Issuance Costs

Debt issuance costs are amortized using the bonds outstanding method over the term of the related debt and amortization is included in interest expense.

Medical Malpractice Insurance

Malpractice insurance coverage is provided on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be uninsured. However, the Indiana Medical Malpractice Act (Act) limits professional liability for claims prior to July 1, 1999 to a maximum recovery of

Union Hospital, Inc. and Subsidiary
Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Medical Malpractice Insurance (continued)

\$750,000 per occurrence (\$3,000,000 annual aggregate), \$100,000 of which would be paid through malpractice insurance coverage and the balance would be paid by the State of Indiana Patient Compensation Fund (Fund).

For claims on or after July 1, 1999, the maximum recovery is \$1,250,000 per occurrence (\$7,500,000 annual aggregate), \$250,000 of which would be paid through insurance coverage and the remainder by the Fund. Further, effective December 31, 2003, the Corporation became a member in a Vermont captive insurance company, VHA RRG, Inc., to fund the Corporation's required portion of the insurance coverage pursuant to the act as well as its liability insurance.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Corporation has been limited by donors primarily for a specified time period or purpose. When a donor restriction expires or is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of operations and changes in net assets as net assets released from restriction. Temporarily restricted net assets include \$5,391,757 and \$5,617,548 of agency funds held by the Foundation at August 31, 2005 and 2004, respectively. Interests in the net assets of the Foundation represent contributions received on behalf of the Corporation by the Foundation.

Functional Expenses

The Corporation provides general health care services to patients. Health care services expenses related to providing these services were approximately \$227,510,000 and \$219,704,000 in 2005 and 2004, respectively. Administrative expenses (consisting of support services, employee benefits, patient billing and other) amounted to \$17,427,000 and \$16,232,000 in 2005 and 2004, respectively.

Income Taxes

The Internal Revenue Service has determined that the Corporation and the majority of its affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code. Certain subsidiaries of the Corporation are taxable entities; the tax expense and liabilities of which are not material to the consolidated financial statements.

Union Hospital, Inc. and Subsidiary
Combined Financial Statements (continued)

2. Significant Accounting Policies (continued)

Performance Indicator

Net income as reflected in the accompanying combined statements of operations and changes in net assets reflect the excess of revenues over expenses. Consistent with the industry practice, unrealized gains and losses on investments, permanent transfers of assets, losses on discontinued operations, and certain other items are excluded from net income.

3. Acquisitions and Affiliations

During 1996, the Corporation entered into a five-year sublease and operating agreement and a related management services agreement (collectively the Sublease Agreement) with WCCH (formerly Vermillion County Hospital), which is renewable for two additional five-year periods. During fiscal year 2002, the Corporation renewed the sublease agreement through 2007. Under the terms of the Sublease Agreement, the Corporation controls and is fully responsible for the operations of WCCH. The Corporation pays rent (\$720,000 per year) as called for in the Sublease Agreement and has agreed to establish certain reserve funds for property replacement and general liquidity.

During 1997, the Corporation and Clarian Health Partners (Clarian Health) entered into an affiliation arrangement, forming Clarian Health Network, to develop and share resources and to enhance the overall quality and efficiency of care to the Corporation's patients. Each of the organizations retains a separate corporate existence and has not transferred any ownership of assets. Clarian Health is an Indiana, private nonprofit corporation exempt from federal income taxes that is developing and operating as an integrated health care delivery system.

4. Net Patient Service Revenue and Other

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. A summary of the significant payment arrangements with third-party payors follows:

Medicare: Physician services, inpatient acute care services, and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute care services are generally reimbursed based on cost reimbursement methodologies. Cost reimbursable services are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

Union Hospital, Inc. and Subsidiary

Combined Financial Statements (continued)

4. Net Patient Service Revenue and Other (continued)

Medicaid: Reimbursement for services rendered to Medicaid program beneficiaries are at prospectively determined rates per discharge for inpatient hospital services. Other services are reimbursed based on a combination of cost reimbursement methodologies and prospectively determined rates.

Other: Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, preferred provider organizations, and other payors. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments, and discounts from established rates.

To the extent that services to Medicare and Medicaid program beneficiaries are reimbursed based on cost reimbursement methodologies, final settlement is determined after submission of annual cost reports and audits thereof by the fiscal intermediary. Estimates for final settlements of all unaudited Medicare and Medicaid cost reports through August 31, 2005 have been recorded. The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the combined statements of operations and changes in net assets follows:

	Years Ended August 31	
	2005	2004
Patient service revenue at established rates	\$ 516,411,781	\$ 474,856,677
Revenue deductions:		
Medicare	144,512,947	140,918,533
Medicaid	56,010,729	43,696,060
Managed care, commercial insurance, and other	60,137,237	49,815,878
Charity care	9,936,533	9,686,273
	270,597,446	244,116,744
Net patient service revenue	<u>\$245,814,335</u>	<u>\$ 230,739,933</u>

Union Hospital, Inc. and Subsidiary
Combined Financial Statements (continued)

4. Net Patient Service Revenue and Other (continued)

A summary of patient service revenue at established rates by payor source is as follows:

Source	August 31	
	2005	2004
Medicare	46%	46%
Medicaid	11	11
Commercial insurance	6	7
Managed care	29	28
Self-pay and other	8	8
	100%	100%

Significant concentrations of net patient accounts receivable at August 31, 2005 are Medicare 26%, Medicaid 18%, commercial insurers 8%, and other 48% (28%, 18%, 8%, and 46%, respectively, at August 31, 2004).

5. Property and Equipment

Costs of property and equipment are as follows:

	August 31	
	2005	2004
Land and improvement	\$ 21,048,796	\$ 19,162,245
Buildings and improvements	97,336,253	87,682,225
Equipment	71,605,121	70,886,002
Construction in progress	3,622,123	6,097,247
	\$ 193,612,293	\$ 183,827,719

The Corporation completed the construction and placed into service a new medical and administrative office building during 2004. Additionally, the Corporation charged off the carrying value related to certain fixtures and building improvements for certain facilities that were abandoned and demolished in 2004 and recognized the loss of \$2.6 million in the statement of operations.

Union Hospital, Inc. and Subsidiary

Combined Financial Statements (continued)

6. Investments Limited as to Use

The Corporation does not engage in trading activities for investment purposes. The composition of investments, at fair value, is set forth in the following table:

	August 31	
	2005	2004
Cash and short-term investments	\$ 9,385,222	\$ 6,619,077
U.S. government and government agency obligations	7,097,382	10,749,086
Mutual and common trust funds	1,075,412	1,266,240
Marketable equity securities	5,778,402	5,045,493
Corporate obligations	423,185	530,537
	<u>23,759,603</u>	<u>24,210,433</u>
Less current portion	1,969,221	2,351,905
	<u><u>\$ 21,790,382</u></u>	<u><u>\$ 21,858,528</u></u>

The composition of investment return included in the combined statements of operations and changes in net assets is as follows:

	Years Ended August 31	
	2005	2004
Investment income included with other revenue:		
Dividend income	\$ 130,981	\$ 100,486
Interest income	867,513	648,117
Realized net gain (loss) on the sale of investments	166,136	138,457
	<u>1,164,630</u>	<u>887,060</u>
Other changes in net assets:		
Unrealized appreciation of Investments	378,381	464,959
	<u><u>\$ 1,543,011</u></u>	<u><u>\$ 1,352,019</u></u>

In June 1995, the Corporation entered into a contract to receive the present value of expected earnings on certain required trustee-held funds in exchange for actual investment earnings. Approximately \$2,000,000 was deposited into trustee-held funds and is being amortized to income over the period of the agreement.

Union Hospital, Inc. and Subsidiary

Combined Financial Statements (continued)

7. Long-Term Debt and Leases

Long-term debt is summarized as follows:

	August 31	
	2005	2004
Tax-Exempt Hospital Revenue Bonds:		
Series 2002, demand revenue bonds, payable in annual principal installments commencing in fiscal 2003 through fiscal 2028. Interest rate set weekly (payable semiannually) averaged 2.11% in fiscal year 2005.	\$15,215,000	\$ 15,615,000
Series 2004, adjustable rate taxable securities payable in annual principal installments commencing in fiscal 2005 through fiscal 2026. Interest in fiscal year 2005 (payable monthly) based on LIBOR 7 day floating rate averaged 2.86 %.	8,000,000	—
Series 1993, serial and term bonds, payable in annual principal installments commencing in fiscal 1996 through fiscal 2024. Interest rate was set weekly at BMA plus 40 basis points (payable semiannually) averaged 2.11 % in fiscal 2005.	32,280,000	33,360,000
Other	1,385,622	5,696,903
Total long-term debt	56,880,622	54,671,903
Less current maturities	1,532,969	2,441,691
Long-term debt, less current portion	<u>\$ 55,347,653</u>	<u>\$52,230,212</u>

During fiscal year 2004, The Hospital tendered its existing Series 1993 Bonds through the issuance of Variable Rate Certificates (See further details of refinancing below). In accordance with Financial Accounting Standards Board Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*, the call premium plus the write-off of approximately \$1 million of unamortized deferred financing costs resulted in a loss from debt extinguishment of \$2,166,660 recorded in the 2004 statement of operations and changes in net assets.

Union Hospital, Inc. and Subsidiary
Combined Financial Statements (continued)

7. Long-Term Debt and Leases (continued)

The following is a brief summary of the refinancing during 2004:

- The Hospital called the Series 1993 Bonds at the first optional call date in 2004 from the current bondholders, paying a call premium of 2% of the face value of the bonds.
- The Hospital transferred the Series 1993 Bonds to an unrelated third-party financial institution.
- The financial institution transferred the Series 1993 Bonds to a trust (also a subsidiary of the Financial Institution).
- The Trust issued variable certificates which will be remarketable and repriced weekly. Variable certificate holders will have the right to put their ownership interest in the Trust on a weekly basis at par.
- The Hospital entered into a Total Return Distribution Agreement with the Financial Institution under which the Hospital receives the fixed rate on the Series 1993 Bonds and pays a variable rate equal to the BMA Index plus 40 basis points. This Agreement also includes a total return payment at termination equal to any gain (paid by the Financial Institution) or loss (paid by the Hospital) in the value of the Series 1993 Bonds.

The Trust is considered a special-purpose entity. The Hospital still bears the risks and rewards of ownership due to the nature of the Total Return Distribution Agreement as discussed above. Based on the structure of this transaction, the Hospital has consolidated the activities of the Trust. In addition, both the Total Return Distribution Agreement between the Hospital and the Financial Institution and the Financial Institution's residual interest in the Trust are considered derivative instruments and marked to market in accordance with SFAS Nos. 133, 137, and 138 each period. However, both of these derivative instruments' fair values, based on current interest rates and the fair value of the bonds in the trust, offset one another and therefore have minimal value to be recognized in the balance sheet as of August 31, 2005. The net result of this series of transactions is that the Hospital converted its old fixed rate debt to lower variable rate debt.

The Corporation issued \$8,000,000 in adjustable rate securities during October 2004. The proceeds of the 2004 Bonds were used to pay off the line of credit with Old National Bank and finance or reimburse certain costs associated to capital projects.

Union Hospital, Inc. and Subsidiary
Combined Financial Statements (continued)

7. Long-Term Debt and Leases (continued)

In May 2002, the Corporation issued \$16,000,000 of variable rate demand revenue bonds (the Series 2002 Bonds) using the Master Indentures and through the Indiana Health Facility Financing Authority. The proceeds of the Series 2002 Bonds and certain other funds of the Corporation were used to finance or reimburse certain costs of constructing, acquiring, renovating or equipping certain health facility property.

The Series 1993 and 2002 Bonds are secured by a security interest in unrestricted receivables (as defined in the bond agreements) of the Corporation. The bond agreements also require maintenance of certain debt service income ratios, limit additional borrowings, require the maintenance of certain trustee-held funds, and require compliance with various other restrictive covenants. Payment of principal and interest on the Series 1993 and 2002 Bonds is guaranteed under a municipal bond insurance policy.

Maturities of long-term debt as of August 31, 2005 are as follows:

Year	
2006	\$ 1,532,969
2007	2,229,672
2008	2,274,121
2009	2,326,132
Thereafter	48,517,728
	<u>\$ 56,880,622</u>

During March of 2001, the Corporation opened a line of credit for a maximum of \$7,500,000. There was one draw of \$4,000,000 on this line of credit during 2004. The line of credit was paid in full during 2005 and the outstanding amounts under this arrangement are \$0 and \$5,055,525, as of August 31, 2005 and 2004, respectively. Interest is paid monthly based upon amounts drawn upon by the Corporation at a variable rate ranged from 2.79 to 3.11% during 2005 and 2.24 to 2.79% during 2004.

During May of 2002, the Corporation opened a letter of credit for a maximum of \$16,000,000 attached to the Series 2002 Bonds to cover noncompliance with principal and interest payments. There were no draws on the letter during fiscal year 2005, and there are no outstanding amounts under this arrangement at August 31, 2005 and 2004.

Union Hospital, Inc. and Subsidiary
Combined Financial Statements (continued)

7. Long-Term Debt and Leases (continued)

The following is a schedule by year of future minimum lease payments under operating leases as of August 31, 2005, that have initial or remaining lease terms in excess of one year.

Year	
2006	\$ 4,223,352
2007	3,304,958
2008	2,374,396
2009	1,584,729
Thereafter	133,187
	<u>\$ 11,620,622</u>

The following is a schedule by year of future minimum lease payments under capital leases as of August 31, 2005, that have initial or remaining lease terms in excess of one year.

Year	
2006	\$ 397,253
2007	344,672
2008	304,121
2009	261,132
Thereafter	44,155
	<u>\$ 1,351,333</u>

Union Hospital, Inc. and Subsidiary

Combined Financial Statements (continued)

8. Pension Plan

The following table sets forth the funded status of the defined benefit pension plan and amounts recognized in the financial statements as of and for the years ended August 31, 2005 and 2004.

	2005	2004
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 48,148,919	\$ 47,254,231
Service cost	2,688,524	3,348,326
Interest cost	3,263,628	3,250,599
Benefits paid	(2,270,595)	(1,255,568)
Curtailments	—	(1,654,759)
Actuarial losses (gains)	6,512,345	(2,793,910)
Benefit obligation at end of year	<u>\$ 58,342,821</u>	<u>\$ 48,148,919</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 42,030,286	\$ 36,144,543
Actual return on plan assets	5,907,165	3,439,311
Contributions	4,090,124	3,702,000
Benefits paid	(2,270,595)	(1,255,568)
Fair value of plan assets at end of year	<u>\$ 49,756,980</u>	<u>\$ 42,030,286</u>
Funded status of the plan	\$ (8,585,841)	\$ (6,118,633)
Unrecognized net actuarial losses deferred	5,917,736	2,068,543
Unrecognized prior service cost and other	(33,245)	(151,867)
Accrued pension cost at end of year	<u>\$ (2,701,350)</u>	<u>\$ (4,201,957)</u>
Components of net periodic benefit cost:		
Service cost	\$ 2,688,524	\$ 3,348,326
Interest cost	3,263,628	3,250,599
Expected return on plan assets	(3,244,013)	(2,782,207)
Amortization	(16,622)	206,005
Net periodic pension cost	<u>\$ 2,691,517</u>	<u>\$ 4,022,723</u>

Union Hospital, Inc. and Subsidiary
Combined Financial Statements (continued)

8. Pension Plan (continued)

The following is a schedule by year of expected benefit payments as of August 31, 2005:

2006	\$ 1,390,000
2007	1,564,000
2008	1,681,000
2009	1,870,000
Thereafter	18,123,000
Total	<u>\$ 24,628,000</u>

The weighted average assumptions used to determine benefit obligations as of January 1 and net periodic benefit costs for the years ended August 31 are as follows:

Assumptions	2005	2004
Discount rate	6.5%	6.5%
Expected return on plan assets	7.5	7.5
Rate of compensation increase	4.5	4.5

Determination of net periodic pension cost for the years ended August 31, 2005 and 2004 is based on assumptions and census data as of January 1, 2005 and 2004, respectively.

The principal long-term determinant of a portfolio's investment return is its asset allocation. The plan allocation includes growth assets (64.5%) and fixed income (34.7%). In addition, active management strategies have added value relative to passive benchmark returns. The expected long-term rate of return assumption is based on the mix of assets in the plan, the long-term earnings expected to be associated with each asset class, and the additional return expected through active management. This assumption is periodically benchmarked against peer plans.

As permitted under Paragraph 26 of SFAS 87, *Employers' Accounting for Pensions*, the amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the Plan.

Union Hospital, Inc. and Subsidiary

Combined Financial Statements (continued)

8. Pension Plan (continued)

The Plan weighted-average asset allocations at August 31, 2005 and 2004, by asset category, are as follows:

Asset Category	2005	2004
Mutual funds – equity funds	64.5%	59.8%
Mutual funds – bond funds	34.7	39.2
Other	.8	1.0
	100%	100%

The target allocation strategy for the plan is to have its investment portfolio comprise approximately 50% to 70% growth investments and 30% to 50% fixed-income investments. Within the growth investment classification, the plan asset strategy encompasses equity and equity-like instruments that are expected to represent approximately 59.8% of the Corporation's plan asset portfolio of both public and private market investments. The largest component of these equity and equity-like instruments is public equity securities that are well diversified and invested in U.S. and international companies.

Contributions

The Corporation expects to contribute approximately \$3,600,000 to the pension plan in 2006 and will meet the required funding amounts for 2006.

9. Related-Party Transactions

The Corporation provided management and other services and paid amounts on behalf of the Foundation and other related organizations approximating \$1,150,611 in 2005 and \$980,869 in 2004. At August 31, 2005 and 2004, respectively, \$770,284 and \$839,546 remained unpaid.

In June 2003, the Corporation's Board of Directors approved a plan to discontinue the operations of the AP&S Division of the Hospital. The discontinuance involved the early termination of both a Provider Services Agreement and Lease (collectively the Agreements) with Associated Physicians & Surgeons, LLC and AP&S LLC II (collectively AP&S) under which the AP&S physician practices were operated as a department of Hospital, known as the AP&S Division.

Union Hospital, Inc. and Subsidiary
Combined Financial Statements (continued)

9. Related-Party Transactions (continued)

In conjunction with the termination of the Agreements, AP&S entered into a lease agreement with Union for building and certain medical equipment. Union is also providing certain support services to AP&S through a period of transition through formal outsourcing arrangements. The amounts due to Union by AP&S under these outsourcing and service arrangements are offset by the operating results of the Wabash Valley Surgery Center (WVSC) on a monthly basis. The net result of these activities is reflected in other operating revenues of the Corporation as of the effective date of the arrangements and amounted to \$960,000 and \$1.4 million in 2005 and 2004, respectively.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS (INCLUDING DEFINITIONS)

Brief descriptions of the Master Indenture, the Supplemental Master Indentures, the Loan Agreements, and the Bond Indentures are included hereafter in this Official Statement. Such descriptions do not purport to be comprehensive or definitive, and all references herein to the Master Indenture, the Supplemental Indentures, the Loan Agreements, and the Bond Indentures are qualified in their entirety by reference to each such document, copies of which are available for review at the corporate trust office of the Bond Trustee. All references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the applicable Bond Indenture.

DEFINITIONS OF CERTAIN TERMS

"Accelerable Instrument" means any Obligation or any mortgage, indenture, loan agreement or other instrument under which there has been issued or incurred, or by which there is secured, any Indebtedness evidenced by an Obligation, which Obligation or instrument provides that, upon the occurrence of an event of default under such Obligation or instrument, the holder thereof may request that the Master Trustee declare such Obligation or Indebtedness due and payable prior to the date on which it would otherwise become due and payable.

"Act" means the Indiana Code 5-1-16, as from time to time amended.

"Accreted Value" means with respect to any Capital Appreciation Indebtedness (a) as of any Valuation Date, the amount set forth for such date in the Supplemental Master Indenture authorizing such Capital Appreciation Indebtedness and (b) as of any date other than a Valuation Date the sum of (i) the Accreted Value on the next preceding Valuation Date and (ii) the product of (A) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (B) the difference between the Accreted Values for such Valuation Dates.

"Additional Indebtedness" means Indebtedness incurred by any Member subsequent to the issuance of the Series 1993 Obligation.

"Additional Obligations" means any evidence of Indebtedness or evidence of any repayment obligation under any Interest Rate Swap Obligations, which is authorized to be issued by a Member pursuant to the Master Indenture and which has been authenticated by the Master Trustee pursuant to the Master Indenture.

"Adjusted Interest Rate" means each Daily Rate, Weekly Rate, Flexible Rate, Semiannual Rate and Long Rate.

"Affiliate" means a corporation, partnership, joint venture, association, business trust or similar entity (a) which controls, is controlled by or is under common control with, directly or indirectly, a Member; or (b) a majority of the members of the Directing Body of which are members of the Directing Body of a Member. For the purposes of this definition, control means

with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a not for profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, "Directing Body" means with respect to: (a) a corporation having stock, such corporation's board of directors and the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporation's directors (both of which groups shall be considered a Directing Body); (b) a not for profit corporation not having stock, such corporation's members if the members have complete discretion to elect the corporation's directors, or the corporation's directors if the corporation's members do not have such discretion; and (c) any other entity, its governing board or body. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

"*Authority*" means the Indiana Health and Educational Facility Financing Authority, a public body politic and corporate created and existing under the laws of the State of Indiana, and its successors and assigns.

"*Balloon Indebtedness*" means Long-Term Indebtedness, 25% or more of the original principal of which matures during any consecutive twelve-month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such twelve-month period. Balloon Indebtedness does not include Indebtedness which otherwise would be classified under the Master Indenture as Put Indebtedness.

"*Bank*" means the provider of any Liquidity Facility issued to provide the Purchase Price of Bonds tendered for purchase. The initial bank is Fifth Third Bank, an Ohio banking corporation. See "SECURITY FOR BONDS – Letter of Credit" in this Official Statement

"*Bank Agreements*" means the agreements between the Corporation and a Bank, as such agreements may from time to time be amended or supplemented, pursuant to which a Liquidity Facility is issued and outstanding, including but not limited to the Reimbursement Agreement.

"*Bank Bonds*" means any Bond registered in the name of the Bank or in the name of the Hospital and pledged to the Bank pursuant to a purchase thereof.

"*Bond Counsel*" means an attorney or firm of attorneys nationally recognized as experienced in matters pertaining to the validation of obligations of governmental issues and the exclusion from federal income taxation of the interest on such obligations, which attorney or firm of attorneys is acceptable to the Authority.

"*Bond Indenture*" or "*Bond Indentures*" means collectively, the Tax-Exempt Indenture and the Taxable Indenture.

"*Bond Register*" means the registration books of the Authority kept by the Bond Registrar to evidence the registration and transfer of the Bonds.

"*Bond Registrar*" means the bank designated in accordance with the Bond Indentures, as keeper of the Bond Register. The initial Bond Registrar is the Bank of New York Trust Company, N.A.

"*Bond Trustee*" collectively means the Tax-Exempt Bond Trustee and the Taxable Bond Trustee.

"*Bondholder*," "*holder*" or "*owner of the Bonds*" means the registered owner of any Related Bond.

"*Bonds*" collectively means the Tax-Exempt Bonds and the Taxable Bonds.

"*Book Value*," when used with respect to Property of a Member, means the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of such Member which have been prepared in accordance with generally accepted accounting principles, and, when used with respect to Property of all Members, means the aggregate of the values of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited combined financial statements of the Obligated Group prepared in accordance with generally accepted accounting principles, provided that such aggregate shall be calculated in such a manner that no portion of the value of any Property of any Member is included more than once.

"*Business Day*" pursuant to the Bond Indentures means a day which is not (a) a Saturday or Sunday, (b) a day on which banking institutions in Indianapolis, Indiana, Cincinnati, Ohio or New York, New York or in any other city where the principal corporate trust office of the Bond Trustee, the Paying Agent or the Tender Agent or the principal office of the Bank or the Credit Enhancer is located are required or authorized by law (including executive order) to be closed or on which the principal corporate trust office of the Bond Trustee, the Paying Agent or the Tender Agent or the principal office of the Bank or the Credit Enhancer is closed for a reason not related to financial condition, (c) a day on which The New York Stock Exchange is closed, or (d) a day on which the Remarketing Agent is closed.

"*Business Day*" pursuant to the Master Indenture means a day which is not (a) a Saturday, Sunday, legal holiday on which banking institutions in the State of Indiana or the State of New York are authorized by law to close or (b) a day on which the New York Stock Exchange is closed.

"*Capital Appreciation Indebtedness*" means any Indebtedness hereafter issued as to which interest is payable only at the maturity of such Indebtedness, upon the prior redemption of such Indebtedness or upon the conversion of such Indebtedness to Indebtedness with interest payable prior to maturity or prior redemption. In the case of Capital Appreciation Indebtedness

that is convertible to Indebtedness with interest payable prior to maturity or prior to redemption of such Indebtedness the term "Capital Appreciation Indebtedness" shall be limited to the period prior to such conversion, and after such conversion, such Indebtedness shall be treated for purposes of the Master Indenture in the same fashion as other Indebtedness having the same terms. For the purpose of computing the principal amount of Indebtedness held by the holder of Capital Appreciation Indebtedness in giving to the Obligated Group or the Master Trustee any notice, consent, request, or demand pursuant to the Master Indenture for any purpose whatsoever, the principal amount of Capital Appreciation Indebtedness shall be deemed to be its Accreted Value.

"*Capitalized Interest*" means amounts irrevocably deposited in escrow to pay interest on Funded Indebtedness or Related Bonds and interest earned on amounts irrevocably deposited in escrow to the extent such interest earned is required to be applied to pay interest on Funded Indebtedness or Related Bonds.

"*Capitalized Lease*" means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee.

"*Capitalized Rentals*" means, as of the date of determination, the amount at which the aggregate Net Rentals due and to become due under a Capitalized Lease under which a Person is a lessee would be reflected as a liability on a balance sheet of such Person.

"*Closing Date*" means the initial date of authentication and delivery of the Bonds in exchange for the purchase price therefor.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time.

"*Commitment Indebtedness*" means the obligation of any Member to repay amounts disbursed pursuant to a commitment from a financial institution to refinance or purchase when due, when tendered or when required to be purchased (a) other Indebtedness of such Member, or (b) Indebtedness of a Person who is not a Member, which Indebtedness is guaranteed by a Guaranty of such Member or secured by or payable from amounts paid on Indebtedness of such Member, in either case which Indebtedness or Guaranty of such Member was incurred in accordance with the provisions of the Master Indenture summarized under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE-Permitted Additional Indebtedness" below, and the obligation of any Member to pay interest payable on amounts disbursed for such purposes, plus any fees, costs or expenses payable to such financial institution for, under or in connection with such commitment, in the event of disbursement pursuant to such commitment or in connection with enforcement thereof, including without limitation any penalties payable in the event of such enforcement.

"*Completion Funded Indebtedness*" means any Funded Indebtedness for borrowed money: (a) incurred for the purpose of financing the completion of the acquisition, construction, remodeling, renovation or equipping of Facilities with respect to which Funded Indebtedness for borrowed money has been incurred in accordance with the provisions hereof; and (b) with a principal amount not in excess of the amount required to provide a completed and equipped

Facility of substantially the same type and scope contemplated at the time such prior Funded Indebtedness was originally incurred, to provide for Capitalized Interest during the period of construction, to provide any reserve fund relating to such Completion Funded Indebtedness and to pay the costs and expenses of issuing such Completion Funded Indebtedness.

"*Construction Index*" means the most recent issue of the "Dodge Construction Index for U.S. and Canadian Cities" with reference to the city in which the subject property is located (or, if such Index is not available for such city, with reference to the city located closest geographically to the city in which the subject property is located), or, if such Index is no longer published or used by the federal government in measuring costs under Medicare or Medicaid programs, such other index which is certified to be comparable and appropriate by the Obligated Group Agent in an Officer's Certificate delivered to the Master Trustee and which other index is acceptable to the Master Trustee.

"*Consultant*" means a professional consulting or banking firm selected by the Obligated Group Agent and acceptable to the Master Trustee, having the skill and experience necessary to render the particular report required and having a favorable and nationally recognized reputation for such skill and experience, which firm does not control any Member of the Obligated Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or an Affiliate thereof.

"*Conversion Date*" means the Mode Adjustment Date on which the Bonds are converted to the Fixed Mode.

"*Credit Enhancer*" means the issuer of any Credit Facility. The initial Credit Enhancer is Fifth Third Bank, an Ohio banking corporation. See "SECURITY FOR BONDS – Letter of Credit" in this Official Statement.

"*Credit Facility*" means any letter of credit, bond insurance policy, bond purchase agreement or other similar credit facility supporting payment of principal of and interest on the Bonds. See "SECURITY FOR BONDS – Letter of Credit" in this Official Statement. The initial Credit Facilities are the letters of credit issued by Fifth Third Bank, an Ohio banking corporation, each securing a series of the Bonds.

"*Cross-over Date*" means, with respect to Cross-over Refunding Indebtedness, the date on which the principal portion of the Cross-over Refunded Indebtedness is paid or redeemed, or on which it is anticipated that such principal portion will be paid or redeemed, from the proceeds of such Cross-over Refunding Indebtedness.

"*Cross-over Refunded Indebtedness*" means Indebtedness of a Person refunded by Cross-over Refunding Indebtedness.

"*Cross-over Refunding Indebtedness*" means Indebtedness of a Person issued for the purpose of refunding other Indebtedness of such Person if the proceeds of such Cross-over Refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable Cross-over Date of the Cross-over Refunded Indebtedness and earnings on such escrow deposit are required to be applied to pay interest or principal on either or both of such

Cross-over Refunding Indebtedness or such Cross-over Refunded Indebtedness until the Cross-over Date.

"Cumulative Net Income Available for Dividends" means for any Person the amount equal to the sum of the Income Available for Debt Service of such Person for each Fiscal Year during which such Person is a Member of the Obligated Group subsequent to August 31, 1993, less, in each Fiscal Year, interest on Funded Indebtedness, depreciation and amortization.

"Current Value" means (i) with respect to Property, Plant and Equipment: (a) the aggregate fair market value of such Property, Plant and Equipment as reflected in the most recent written report of an appraiser selected by the Obligated Group Agent and acceptable to the Master Trustee and, in the case of real property, who is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which Current Value is to be calculated) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated; plus (b) the Book Value of any Property, Plant and Equipment acquired since the last such report, increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such acquisition to the date as of which Current Value is to be calculated; minus (c) the greater of the Book Value or the fair market value (as reflected in the most recent appraiser's report) of any Property, Plant and Equipment disposed of since the last such report, increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of 1 such report to the date as of which Current Value is to be calculated, and (ii) with respect to any other Property, the fair market value of such Property which fair market value shall be evidenced in a manner satisfactory to the Master Trustee.

"Daily Mode" means any period of time, determined in accordance with the applicable Bond Indenture, during which interest on the Bonds accrues at a Daily Rate.

"Daily Rate" means the rate of interest applicable to the Bonds bearing interest in the Daily Mode which is determined in accordance with the provisions of the applicable Bond Indenture.

"Debt Service Requirements" means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on outstanding Funded Indebtedness of each Person or a group of Persons with respect to which calculated; provided that: (a) the amount of such payments for a future period shall be calculated in accordance with the assumptions contained in the Master Indenture; (b) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Capitalized Interest is available to pay such interest; and (c) principal of Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal.

"*Defaulted Interest*" means interest on any Bond which is payable but not duly paid on the date due.

"*Eligible Moneys*" means (a) proceeds of the Bonds, (b) moneys drawn under the Liquidity Facility or Credit Facility which are either applied directly to the payment or purchase of principal of or interest on the Bonds or which, if not so applied, are held in a separate and segregated subaccount under this Indenture until so applied, (c) moneys which have been on deposit with the Bond Trustee or Paying Agent as agent and bailee for the Bondholders for a continuous period of 123 consecutive days during which no petition in bankruptcy is pending or has been filed by or against the Authority or any Member of the Obligated Group under the United States Bankruptcy Code, (d) proceeds of obligations issued to refund the Bonds, (e) proceeds from the sale, to a person other than any Member of the Obligated Group or the Authority upon the remarketing of the Bonds, (f) any other moneys, in the opinion of nationally recognized counsel experienced in bankruptcy matters, approved by the Authority and the Hospital, the application of which will not constitute a voidable preference in the event of a bankruptcy of the Authority or any Member of the Obligated Group, and (g) investment income derived from the investment of the foregoing types of moneys; provided that such proceeds, moneys or income shall not be deemed to be Eligible Moneys or available for payment of the Bonds if an injunction, restraining order or stay is in effect preventing such proceeds, moneys or income from being applied to make such payment.

"*Encumbered*" means, with respect to Property, subject to a Lien described in the following subsections of the definition of Permitted Encumbrances: (b), (d) other than a Lien securing Non-Recourse Indebtedness, (f) (including only Capitalized Leases), (n)(ii) and (u)(ii), and all other Liens not described in the definition of Permitted Encumbrances; provided that any amounts on deposit in a construction fund created in connection with the issuance of an Obligation which are held as security for the payment of such Obligation or any Indebtedness incurred to purchase such Obligation or the proceeds of which are advanced or otherwise made available in connection with the issuance of such Obligation, shall not be deemed to be Encumbered if the amounts are to be applied to construct or otherwise acquire Property which is not subject to a Lien.

"*Escrow Obligations*" means, (i) with respect to any Obligation which secures a series of Related Bonds, the obligations permitted to be used to refund or advance refund such series of Related Bonds under the Related Bond Indenture, or (ii) in all other cases (a) United States Government Obligations, (b) obligations of any agency or instrumentality of the United States Government, (c) certificates of deposit issued by a bank or trust company which are (1) fully insured by the Federal Deposit Insurance Corporation or any similar corporation chartered by the United States or (2) secured by a pledge of any United States Government Obligations which have an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured, which security is held in a custody account by a custodian satisfactory to the Master Trustee, (d) (1) evidences of a direct ownership in future interest or principal payments on obligations of the type described in (a) above, which obligations are held in a custody account by a custodian satisfactory to the Master Trustee pursuant to the terms of a custody agreement and (2) obligations issued by any state of the United States or any political subdivision, public instrumentality or public authority of any state, which obligations are not callable before the date the principal thereof will be required to be paid and which obligations are

fully secured by and payable solely from obligations of the type described in (a) above, which securities are held pursuant to an agreement in form and substance acceptable to the Master Trustee, or (e) after 30 days' prior written notice to each Rating Agency then maintaining a rating on any Obligations or Related Bonds, shares or certificates in any short-term investment fund which is maintained by the Master Trustee or a Related Bond Trustee.

"Excluded Property" means any assets of "employee pension benefit plans" as defined in the Employee Retirement Income Security Act of 1974, as amended, all rights, titles and interests in and to the real estate described in Exhibit C to the Master Indenture, as amended as provided in the Master Indenture from time to time, and all improvements, fixtures, tangible personal property and equipment located thereon and used in connection therewith.

"Expenses" means, for any period, the aggregate of all expenses calculated under generally accepted accounting principles, including without limitation any taxes, incurred by the Person or group of Persons involved during such period, minus (i) interest on Funded Indebtedness, (ii) depreciation and amortization, (iii) extraordinary expenses (including without limitation losses on the sale of assets other than in the ordinary course of business and losses on the extinguishment of debt or termination of pension plans), (iv) any expenses resulting from a forgiveness of or the establishment of reserves against Indebtedness of an Affiliate which does not constitute an extraordinary expense and, if such calculation is being made with respect to the Obligated Group, excluding any such expenses attributable to transactions between any Member and any other Member and (v) losses resulting from any reappraisal, revaluation or write-down of assets.

"Exposure on Guaranteed Debt" means, with respect to the period of time for which calculated, an amount equal to the sum of 100% of the maximum annual debt service requirements (calculated in the same manner as Maximum Annual Debt Service Requirement) on each series of Indebtedness of a Primary Obligor which is guaranteed; provided, however, that if (a) the guarantor has not been required, by reason of its guaranty, to make any payment in respect of the Indebtedness which is guaranteed within the immediately preceding twenty-four (24) months, and (b) a Hospital Officer's Certificate in form acceptable to the Master Trustee states that the Guaranteed Debt Service Coverage Ratio of such Primary Obligor is: (i) not less than 2.25:1, Exposure on Guaranteed Debt means an amount equal to 0% of the maximum annual debt service requirements on the Indebtedness of the Primary Obligor which is guaranteed, (ii) less than 2.25:1 but not less than 2.00:1, Exposure on Guaranteed Debt means an amount equal to 20% of the maximum annual debt service requirements on the Indebtedness of the Primary Obligor which is guaranteed, (iii) less than 2.00:1 but not less than 1.75:1, Exposure on Guaranteed Debt means an amount equal to 25% of the maximum annual debt service requirements on the Indebtedness of a Primary Obligor which is guaranteed, (iv) less than 1.75:1 but not less than 1.50:1, Exposure on Guaranteed Debt means an amount 50% of the maximum annual debt service requirements on the Indebtedness of a Primary Obligor which is guaranteed, or (v) less than 1.50:1 but not less than 1.25:1, Exposure on Guaranteed Debt means an amount equal to 75% of the maximum annual debt service requirements on the Indebtedness of a Primary Obligor which is guaranteed.

"Facilities" means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Uniform Commercial Code or equivalent statute in effect in the

state where such fixtures or equipment are located) of a Person. Facilities shall not include the land, leasehold interests, buildings, fixtures or equipment constituting Excluded Property.

"*Fiscal Year*" means any twelve-month period beginning on September 1 of any calendar year and ending on August 31 of the next succeeding calendar year or such other consecutive twelve-month period selected by the Obligated Group Agent as the fiscal year for the Members.

"*Fixed Mode*" means any period of time, determined in accordance with the applicable Bond Indenture, during which interest on the Bonds accrues at a Fixed Rate.

"*Fixed Rate*" means the fixed rate of interest established in the manner and upon the conditions set forth in the applicable Bond Indenture.

"*Flexible Mode*" means any period of time, determined in accordance with the applicable Bond Indenture, during which interest on the Bonds accrues at a Flexible Rate.

"*Flexible Rate*" means the rate of interest established in the manner and upon the conditions set forth in the applicable Bond Indenture.

"*Funded Indebtedness*" means, with respect to any Person, (i) all Indebtedness of such Person for money borrowed or credit extended which is not Short-Term; (ii) all Indebtedness of such Person incurred or assumed in connection with the acquisition or construction of Property which is not Short-Term; (iii) all Short-Term Indebtedness incurred by the Person which is of the type described in the provisions of the Master Indenture summarized in subsection (E) under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE-Permitted Additional Indebtedness" below; (iv) such Person's Guaranties of Indebtedness which are not Short-Term; and (v) Capitalized Rentals under Capitalized Leases entered into by such Person; provided, however, that Indebtedness that could be described by more than one of the foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to the Master Indenture.

"*Funded Indebtedness Ratio*" means the ratio consisting of (i) a numerator equal to the amount determined by dividing the Obligated Group's total Funded Indebtedness by the sum of (a) such Funded Indebtedness and (b) the Obligated Group's total unrestricted fund balances (as reflected in or derived from the most recent audited combined financial statements of the Obligated Group prepared in accordance with generally accepted accounting principles) and (ii) a denominator of one.

"*Governing Body*" means, with respect to a Member, the board of directors, board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested.

"*Government Obligations*" means (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, and (ii) U.S. Treasury STRIPS, REFCORP STRIPS (stripped by the Federal Reserve Bank of New York) and any stripped United States Treasury securities rated AAA by Standard & Poor's Rating Group and Moody's Investors Service at the time of purchase.

"Guaranteed Debt Service Coverage Ratio" means the ratio consisting of a denominator of one and a numerator equal to the amount determined by dividing the Primary Obligor's Income Available for Debt Service on Guaranteed Debt for the most recent fiscal year of the Primary Obligor for which audited financial statements are available by the maximum annual debt service requirement (determined in the same manner as Maximum Annual Debt Service Requirement) on the obligation guaranteed and all other Funded Indebtedness of the Primary Obligor.

"Guaranty" means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness or other obligation of any Primary Obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person: (1) to purchase such Indebtedness or obligation or any Property constituting security therefor; (2) to advance or supply funds: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition; (3) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation; or (4) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

"Historical Debt Service Coverage Ratio" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Debt Service Requirements for such period and a denominator of one; provided that, when such calculation is being made with respect to the Obligated Group, Income Available for Debt Service and Debt Service Requirements shall be determined only with respect to those Persons who are Members of the Obligated Group at the time of such calculation; provided, further, that in calculating the Debt Service Requirements for any completed period, the principal amount of any Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture or from amounts deposited to provide for such payment pursuant to an amortization schedule established and maintained in accordance with the provisions of the Master Indenture summarized in paragraphs (G)(ii)(a) and (b) under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Permitted Additional Indebtedness" below, which amounts were deposited in Fiscal Years prior to the Fiscal Year in which such principal became due.

"Historical Pro Forma Debt Service Coverage Ratio" means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness then outstanding (other than any Funded Indebtedness being refunded with the Funded Indebtedness then proposed to be issued) and the Funded Indebtedness then proposed to be issued and a denominator of one; provided that, when such calculation is being made with respect to the Obligated Group, Income Available for Debt Service and Maximum Annual Debt Service Requirement shall be determined only with respect to those Persons who are Members of the Obligated Group at the time of such calculation.

"*Hospital*" means Union Hospital, Inc., an Indiana nonprofit corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

"*Income Available for Debt Service*" means, for any period, the excess of Revenues over Expenses of the Person or group of Persons involved.

"*Income Available for Debt Service on Guaranteed Debt*" means, for any period, the excess of all Revenues over Expenses of the Primary Obligor.

"*Indebtedness*" means, for any Person, (a) all Guaranties by such Person, (b) all liabilities (exclusive of reserves such as those established for deferred taxes or litigation) recorded or required to be recorded as such on the audited financial statements of such Person in accordance with generally accepted accounting principles, and (c) all obligations for the payment of money incurred or assumed by such Person (i) due and payable in all events or (ii) if incurred or assumed primarily to assure the repayment of money borrowed or credit extended, due and payable upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessee, rendering of services by others or otherwise, and shall include, without limitation, Non-Recourse Indebtedness; provided that Indebtedness shall not include Indebtedness of one Member to another Member, any Guaranty by any Member of Indebtedness of any other Member, the joint and several liability of any Member on Indebtedness issued by another Member, Interest Rate Swap Obligations or any obligation to repay moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights, of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents.

"*Independent Architect*" means an architect, engineer or firm of architects or engineers selected by a Member, acceptable to the Master Trustee and licensed by, or permitted to practice in, the state where the construction involved is located, which architect, engineer or firm of architects or engineers, in the case of an individual, is not a member, director, officer or employee of any Member of the Obligated Group or any Affiliate thereof and, in the case of a firm, does not control any Member of the Obligated Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or any Affiliate thereof.

"*Independent Counsel*" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for the Authority, the Hospital, or the Related Bond Trustee.

"*Insurance Consultant*" means a person or firm who in the case of an individual is not an employee or officer of any Member or any Related Issuer and which, in the case of a firm, does not control any Member of the Obligated Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or any Affiliate thereof, appointed by the Obligated Group Agent and satisfactory to the Master Trustee, qualified to survey risks and to recommend insurance coverage for health care or social service facilities and services of the type involved, and having a favorable reputation for skill and experience in such surveys and such recommendations, and which may include a broker or agent with whom any Member transacts business.

"Interest Rate Swap Obligation" means obligations of any Person pursuant to any arrangement with any other Person whereby, directly or indirectly, such Person is entitled to receive from time-to-time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated principal amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same amount which arrangement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

"Investment Securities" means and includes the following:

- (a) (1) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (2) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (3) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (4) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated;
- (b) Federal Housing Administration debentures;
- (c) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

Federal Home Loan Mortgage Corporation (FHLMC)

Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Senior Debt obligations

Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)

Consolidated system-wide bonds and notes

Federal Home Loan Banks (FHL Banks)

Consolidated debt obligations

Federal National Mortgage Association (FNMA)

Senior debt obligations Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

Student Loan Marketing Association (SLMA)

Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)

Financing Corporation (FICO)

Debt obligations

Resolution Funding Corporation (REFCORP)

Debt obligations.

- (d) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated at the time of purchase 'A-1' or better by S&P;
- (e) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million;
- (f) Commercial paper (having original maturities of not more than 270 days) rated at the time of purchase 'A-1+' or 'A-1' by S&P or 'Prime-1' by Moody's;
- (g) Money market funds rated at the time of purchase 'AAm' or 'AAm-G' by S&P, or better;
- (h) "State Obligations", which means:
 - (1) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at the time of purchase 'A3' by Moody's or 'A' by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
 - (2) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (1) above and rated at the time of purchase 'A-1+' or 'A-1' by S&P or 'Prime-1' by Moody's.
 - (3) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (1) above and rated at the time of purchase 'AA' or better by S&P or 'Aa' or better by Moody's.

(i) re-refunded municipal obligations rated at the time of purchase 'AAA' by S&P or 'Aaa' by Moody's meeting the following requirements:

- (1) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- (2) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
- (3) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");
- (4) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
- (5) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
- (6) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(j) Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at the time of entering such repurchase agreement at least 'A' by S&P or Moody's; or (2) any broker-dealer with "retail customer" or related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at the time of entering such repurchase agreement at least 'A' by S&P or Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at the time of entering such repurchase agreement 'A' or better by S&P or Moody's, provided that:

- (1) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P or Moody's to

maintain an 'A' rating in an 'A' rated structured financing (with a market value approach);

- (2) The Bond Trustee or a third party acting solely as agent therefor or for the Authority (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);
- (3) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- (4) All other requirements of S&P in respect of repurchase agreements shall be met.
- (5) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below 'A-' by S&P or 'A3' by Moody's, as appropriate, the provider must, at the direction of the Authority or the Bond Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Authority or Bond Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (1) above, so long as such collateral levels are 103% or better and the provider is rated at the time of entering such repurchase agreement at least 'A/A2' by S&P or Moody's, respectively.

- (k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at the time of entering such investment agreement at least 'A' by S&P or 'A2' by Moody's; provided that, by the terms of the investment agreement:

- (1) interest payments are to be made to the Bond Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Project Account of the Project Fund, construction draws) on the Bonds;
- (2) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice;

the Authority and the Bond Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

- (3) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof; or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks *pari passu* with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditor;
- (4) the Bond Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Bond Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);
- (5) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- (6) the investment agreement must provide that if during its term
 - (a) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Bond Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Bond Trustee, as appropriate, and
 - (b) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Bond Trustee, as appropriate.
- (l) Corporate bond issues of companies incorporated under the laws of the United States or any state, provided that the issue is backed by an irrevocable direct pay letter of credit from a bank with a long-term debt rating of "A" or better by either Moody's or S&P.

- (m) Other forms of investments (including repurchase agreements) approved in writing by the Credit Enhancer.

"*Land*" means the real Property of the Obligated Group upon which the primary operations of the Members are conducted as described in Exhibit A to the Master Indenture, as amended, as provided in the Master Indenture from time to time, together with all buildings, improvements and fixtures located thereon, but excluding therefrom the Excluded Property.

"*Lien*" means any mortgage, pledge or lease of, security interest in or lien, charge, restriction or encumbrance on any Property of the Person involved in favor of, or which secures any obligation to, any Person other than any Member, and any Capitalized Lease under which any Member is lessee and the lessor is not another Member.

"*Liquidity Facility*" means any letter of credit, bond purchase agreement or other similar agreement provided pursuant to the Bond Indentures and providing for the provision of sufficient moneys to pay the Purchase Price of any Bonds on any Tender Date, issued by a Bank for the benefit of the Bond Trustee pursuant to the Bank Agreements. The initial Liquidity Facility is a letter of credit issued by Fifth Third Bank, an Ohio banking corporation.

"*Loan Agreements*" collectively means the Tax-Exempt Loan Agreement and the Taxable Loan Agreement.

"*Long Mode*" means any period of time, determined in accordance with the applicable Bond Indenture, during which interest on the Bonds occurs at a Long Rate.

"*Long Rate*" means the rate of interest established in the manner and upon the conditions set forth in the applicable Bond Indenture.

"*Long-Term Indebtedness*" means Indebtedness (which also may constitute Balloon Indebtedness or Put Indebtedness) having an original stated maturity or term greater than one year or renewable at the option of the debtor for a period greater than one year from the date of original issuance.

"*Mandatory Tender Date*" means the dates specified in the Bond Indentures.

"*Master Indenture*" means the Master Trust Indenture, dated as of October 1, 1993, between the Hospital and the Master Trustee as same may be amended or supplemented at the time in question.

"*Master Trustee*" means J.P. Morgan Trust Company, National Association (formerly known as Bank One, Indianapolis, N.A.), or any successor Master Trustee appointed pursuant to the provisions of the Master Indenture.

"*Maturity*" when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by acceleration or redemption or otherwise, but does not include payment of the portion of the Purchase Price corresponding to principal of such Bond pursuant to the applicable Bond Indenture.

"Maximum Annual Debt Service Requirement" means the largest total Debt Service Requirements for all Indebtedness outstanding for the current or any succeeding Fiscal Year; provided that in applying the provisions of the Master Indenture summarized under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE-Rates and Charges" below the current year shall be deemed to include the Fiscal Year with respect to which historical debt service coverage is being calculated and provided further that in calculating Maximum Annual Debt Service Requirement for the purposes of applying such provisions, the principal amount of any Indebtedness included in such calculation which is paid during the year with respect to which historical debt service coverage is being calculated shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture or from amounts deposited to provide for such payment pursuant to an amortization schedule established and maintained in accordance with the provisions of the Master Indenture and summarized in subsection (G)(ii)(a) and (b) under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE-Permitted Additional Indebtedness" below, which amounts were deposited in Fiscal Years prior to the Fiscal Year in which such principal was paid; provided further that principal and interest payments on Indebtedness due on the first day or first Business Day of a month shall be deemed payable during the preceding month if they are required to be fully deposited with a trustee for such Indebtedness during such preceding month.

"Member" or *"Member of the Obligated Group"* means any Person who is listed on Exhibit E hereto after designation as a Member of the Obligated Group pursuant to the terms of the Master Indenture.

"Mode Adjustment Date" means the Closing Date and each date thereafter on which the Interest Mode is to be converted or on which a Long Mode with a Rate Period of different duration is to become effective, pursuant to the applicable Bond Indenture.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by written notice to the Bond Trustee.

"Net Proceeds" means, when used with respect to any insurance or condemnation award, or sale consummated under threat of condemnation the gross proceeds from the insurance or condemnation award or sale with respect to which that term is used remaining after payment of all expenses (including attorney's fees, adjuster's fees and any expenses of the Bond Trustee or the Master Trustee) incurred in the collection of such gross proceeds.

"Net Rentals" means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under a lease or sublease of real or personal Property excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net Rentals for any future period under any so-called "percentage lease" shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such

period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period; provided that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

"Non-Recourse Indebtedness" means any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment (other than the Land) and the income therefrom, not less than 80% of the cost of which Property, Plant and Equipment shall have been financed solely with the proceeds of such Indebtedness with no recourse, directly or indirectly, to any other Property of any Member.

"Obligated Group" means the Hospital and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth in the provisions of the Master Indenture summarized under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Entrance into the Obligated Group" below and which has not ceased such status pursuant to the provisions of the Master Indenture summarized under the caption SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Cessation of Status as a Member of the Obligated Group" below.

"Obligated Group Agent" means the Hospital or such other Member as may be designated from time to time pursuant to written notice to the Master Trustee and each Related Issuer executed by the President or Chairman of the Governing Body of the Hospital or, if the Hospital is no longer a Member of the Obligated Group, of each Member of the Obligated Group.

"Obligations" means the Series 2006 Obligations and any Additional Obligations and any Obligation or Obligations issued in exchange therefor.

"Obligation holder", "holder" or "owner of the Obligation" means the registered owner of any fully registered or book entry Obligation unless alternative provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued for establishing ownership of such Obligation, in which case such alternative provision shall control.

"Officer's Certificate" means a certificate signed, in the case of a certificate delivered by a corporation, by the President, any Vice President or any other officer authorized to sign by resolution of the Governing Body of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person, in either case whose authority to execute such Certificate shall be evidenced to the satisfaction of the Master Trustee in the case of the Master Indenture, and to the satisfaction of the Bond Trustee in the case of the Bond Indentures.

"Official Statement" means this Official Statement.

"Opinion of Bond Counsel" means an opinion of nationally recognized municipal bond counsel, which counsel and opinion, including the scope, form, substance and other aspects thereof are acceptable to the Master Trustee.

"*Optional Tender Date*" means (i) with respect to any Bonds in the Semiannual Mode or Long Mode, the first day of the next Rate Period, and (ii) with respect to any Bonds in the Daily Mode or Weekly Mode, each Business Day during such Daily Mode or Weekly Mode.

"*Outstanding*" means, in the case of Indebtedness of a Person other than Related Bonds or Obligations, all such Indebtedness of such Person which has been issued except any such portion thereof cancelled after purchase on the open market or surrendered for cancellation or because of payment at or redemption prior to maturity, any such Indebtedness in lieu of which other Indebtedness has been duly issued and any such Indebtedness which is no longer deemed outstanding under its terms and with respect to which such Person is no longer liable under the terms of such Indebtedness.

"*Outstanding*" means, with respect to the Bonds, all Bonds authenticated and delivered under the Bond Indentures as of the time in question, except:

(a) All Bonds theretofore cancelled or required to be cancelled under Section 2.09 of the Bond Indentures;

(b) Bonds for the payment or redemption of which provision has been made in accordance with the Bond Indentures; provided that, if such Bonds are being redeemed, the required notice of redemption shall have been given or provision satisfactory to the Bond Trustee shall have been made therefor, and that if such Bonds are being purchased, there shall be a firm commitment for the purchase and sale thereof; and

(c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the Bond Indentures.

Tendered Bonds purchased by the Hospital or any Member of the Obligated Group will continue to be Outstanding until the Hospital (with the consent of the Bank if the Bonds have been purchased with moneys drawn under the Liquidity Facility) directs the Bond Registrar to cancel them.

"*Outstanding Obligations*" or "*Obligations outstanding*" means all Obligations which have been duly authenticated and delivered by the Master Trustee under the Master Indenture, except:

(a) Obligations cancelled after purchase in the open market or because of payment at or prepayment or redemption prior to maturity;

(b) (i) Obligations for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with the Master Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that if such Obligations are to be prepaid or redeemed prior to the maturity thereof, notice of such prepayment or redemption shall have been given or irrevocable arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee shall have been filed with the Master Trustee and (ii) Obligations securing Related Bonds for the payment or redemption of which cash or Escrow Obligations shall have been theretofore

deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that if such Related Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(c) Obligations in lieu of which others have been authenticated under the Master Indenture; and

(d) For the purpose of all consents, approvals, waivers and notices required to be obtained or given under the Master Indenture, Obligations held or owned by a Member of the Obligated Group.

Notwithstanding the foregoing, any Obligation securing Related Bonds shall be deemed outstanding if such Related Bonds are Outstanding.

"Paying Agent" means the bank or banks, if any, designated in accordance with the Bond Indentures to receive and disburse the principal of and interest on the Bonds. The initial Paying Agent is The Bank of New York Trust Company, N.A.

"Permitted Encumbrances" means the Master Indenture, any Related Loan Document, any Related Bond Indenture and, as of any particular time:

(a) Liens arising by reason of good faith deposits with a Member in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;

(b) any Lien on Property acquired by a Member other than Property which will be classified as Land, which Lien secures Indebtedness issued, incurred or assumed by any Member in connection with and to effect such acquisition or existing Indebtedness which will remain outstanding after such acquisition but will not be assumed by a Member, if in any such case the aggregate principal amount of such Indebtedness does not exceed the fair market value of the Property subject to such Lien as determined in good faith by the Governing Body of the Member;

(c) any Lien on the Property of any Member granted in favor of or securing Indebtedness to any other Member;

(d) any Lien on the Property of any Member permitted under the provisions of the Master Indenture and summarized under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE-Liens on Property" below;

(e) any Lien on Property if such Lien equally and ratably secures all of the Obligations and only the Obligations;

(f) leases which relate to Property of the Obligated Group which is of a type that is customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, gift shops and radiology or other hospital-based or health care or social service related specialty services, pharmacy and similar departments; leases entered into in accordance with the disposition of Property provisions of the Master Indenture; leases, licenses or similar rights to use Property to which the Hospital is a party existing as of October 1, 1993 and any renewals and extensions thereof; and any leases, licenses or similar rights to use Property whereunder a Member is lessee, licensee or the equivalent thereof upon fair and reasonable terms no less favorable to the lessee or licensee than would obtain in a comparable arm's-length transaction;

(g) Liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested in accordance with the Master Indenture;

(h) utility, access and other easements and rights-of-way, restrictions, encumbrances and exceptions which do not materially interfere with or materially impair the operation of the Property affected thereby (or, if such Property is not being then operated, the operation for which it was designed or last modified);

(i) any mechanic's, laborer's, materialman's, supplier's or vendor's Lien or right in respect thereof if payment is not yet due under the contract in question or if such Lien is being contested in accordance with the provisions of the Master Indenture;

(j) such Liens, defects, irregularities of title and encroachments on adjoining property as normally exist with respect to property similar in character to the Property involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof, including without limitation statutory liens granted to banks or other financial institutions, which liens have not been specifically granted to secure Indebtedness and which do not apply to Property which has been deposited as part of a plan to secure Indebtedness;

(k) zoning laws and similar restrictions which are not violated by the Property affected thereby;

(l) statutory rights under Section 291, Title 42 of the United States Code, as a result of what are commonly known as Hill-Burton grants, and similar rights under other federal statutes or statutes of the state in which the Property involved is located;

(m) all right, title and interest of the state where the Property involved is located, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way;

(n) Liens on or in Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that (i) such Liens consist solely of restrictions on the use thereof or the income therefrom, or (ii) such Liens secure Indebtedness which is not assumed by any Member and such Liens attach solely to the Property (including the income therefrom) which is the subject of such "gift, grant, bequest or devise;

(o) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which any Member shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall be in existence;

(p) Liens on moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents;

(q) Liens on Excluded Property;

(r) Liens on Property due to rights of third party payors for recoupment of excess reimbursement paid;

(s) any security interest in the Rebate Fund of the Tax-Exempt Bond Indenture, any depreciation reserve, debt service or interest reserve, debt service fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer or the holder of the Indebtedness issued pursuant to such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document or the holder of any related Commitment Indebtedness;

(t) any Lien on any Related Bond or any evidence of Indebtedness of any Member acquired by or on behalf of any Member which secures Commitment Indebtedness and only Commitment Indebtedness;

(u) such Liens, covenants, conditions and restrictions, if any, which do not secure Indebtedness and which are other than those of the type referred to above, as are set forth in Exhibit A to the Master Indenture, and which (i) in the case of Property owned by the Hospital on the date of execution of the Master Indenture, do not and will not, so far as can reasonably be foreseen, materially adversely affect the value of the Property currently affected thereby or materially impair the same, and (ii) in the case of any other Property, do not materially impair or materially interfere with the operation or usefulness thereof for the purpose for which such Property was acquired or is held by a Member;

(v) Liens on accounts receivable arising as a result of the sale of such accounts receivable with or without recourse, provided that the principal amount of Indebtedness secured

by any such Lien does not exceed the aggregate face amount of such accounts receivable so sold; and

(w) Liens arising out of or in connection with the Hospital's Note dated October 6, 1988 in the original principal amount of \$2,180,000 or the Loan Agreement dated as of October 6, 1988 among the Authority, the Hospital and Municipal Bond Insurance Association.

"*Person*" means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

"*Primary Obligor*" means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

"*Projected Debt Service Coverage Ratio*" means, for any future period, the ratio consisting of a numerator equal to the amount determined by dividing the projected Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness expected to be outstanding during such period and a denominator of one.

"*Projected Rate*" means the projected yield at par of an obligation as set forth in the report of a Consultant (which Consultant and report including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee and each Related Issuer). Such report shall state that in determining the Projected Rate such Consultant reviewed the yield evaluations at par of not less than three obligations (or such lesser number as the Consultant shall deem appropriate, but in no event less than one) selected by such Consultant, the interest on which is entitled to the exemption from federal income tax afforded by Section 103(a) of the Code or any successor thereto (or, if it is not expected that it will be reasonably possible to issue such tax-exempt obligations, or if the interest on the Indebtedness for which the Projected Rate is being calculated is not entitled to such exemption, then obligations the interest on which is subject to federal income taxation) which obligations such Consultant states in its report are reasonable comparators to utilize in developing such Projected Rate and which obligations: (i) were outstanding on a date selected by the Consultant which date so selected occurred during the 90-day period preceding the date of the calculation utilizing the Projected Rate in question, (ii) to the extent practicable, are obligations of Persons engaged in operations similar to those of the Obligated Group and having a credit rating similar to that of the Obligated Group, (iii) are not entitled to the benefits of any credit enhancement, including without limitation any letter or line of credit, guaranty or insurance policy, and (iv) to the extent practicable, have a remaining term and amortization schedule substantially the same as the obligation with respect to which such Projected Rate is being developed.

"*Property*" means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated, and whether now owned or hereafter acquired, other than Excluded Property.

"*Property, Plant and Equipment*" means all Property of each Member which is classified as property, plant and equipment under generally accepted accounting principles.

"*Purchase Date*" when used with respect to any Bond, means the date upon which the Tender Agent is obligated to effect the purchase of such Bond on the terms described in the applicable Bond Indenture.

"*Purchase Price*" of any Bond required to be purchased pursuant to the terms of the applicable Bond Indenture means an amount equal to 100% of the principal amount of such Bond plus interest, if any, accrued thereon from the most recent Interest Payment Date to but not including the Purchase Date.

"*Put Date*" means (i) any date on which an owner of Put Indebtedness may elect to have such Put Indebtedness paid, purchased or redeemed by or on behalf of the underlying obligor prior to its stated maturity date or (ii) any date on which Put Indebtedness is required to be paid, purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

"*Put Indebtedness*" means Indebtedness which is (i) payable or required to be purchased or redeemed by or on behalf of the underlying obligor, at the option of the owner thereof, prior to its stated maturity date or (ii) payable or required to be purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

"*Qualifying Obligation holder*" means any Related Issuer, any Related Bond Trustee or the holder or holders of 10% or more in aggregate principal amount of the outstanding Obligations of any series.

"*Rate Adjustment Date*" means the first day on which an Adjusted Interest Rate or the Fixed Rate becomes effective, which shall be the first day of any Rate Period.

"*Rate Period*" means that period in which a given interest rate applies and which means (i) with respect to Bonds bearing interest at an Adjusted Interest Rate, the period of time from the Closing Date or any Rate Adjustment Date to but excluding the next succeeding Rate Adjustment Date; or (ii) with respect to Bonds bearing interest at a Fixed Rate, the period of time commencing on the Conversion Date to the last Maturity of the Bonds.

"*Rating Agency*" means Moody's or Standard & Poor's and their respective successors and assigns.

"*Rebate Memorandum*" means the Memorandum on Compliance with Rebate Requirement, delivered on the Closing Date.

"*Reimbursement Agreements*" collectively means the Taxable Reimbursement Agreement and the Tax-Exempt Reimbursement Agreement.

"*Related Bonds*" means the Bonds and any other revenue bonds or similar obligations issued by any state, commonwealth or territory of the United States or any municipal corporation

or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to any Member in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to such governmental issuer.

"Related Bond Indenture" means the Bond Indentures and any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

"Related Bond Trustee" means the applicable Bond Trustee and any other trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

"Related Issuer" means the Authority and any other issuer of a series of Related Bonds.

"Related Loan Document" means the Loan Agreements and any other document or documents (including without limitation any lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are advanced to any Member (or any Property financed or refinanced with such proceeds is leased, sublet or sold to a Member).

"Remarketing Agent" means the person appointed as Remarketing Agent in accordance with the applicable Bond Indentures. The initial Remarketing Agent is Fifth Third Securities, Inc.

"Remarketing Agreement" means a remarketing agreement entered into between the Hospital and the Remarketing Agent in connection with remarketing of the Bonds, as amended, or replaced upon the replacement of the Remarketing Agent.

"Revenues" means, for any period, (i) in the case of any Person providing health care services, the sum of (a) gross patient service revenues less contractual allowances and provisions for uncollectable accounts, free care and discounted care, plus (b) other operating revenues, plus (c) non-operating revenues (other than income derived from the sale of assets not in the ordinary course of business or any gain from the extinguishment of debt, termination of pension plans or other extraordinary item or earnings which constitute Capitalized Interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness), all as determined in accordance with generally accepted accounting principles; and (ii) in the case of any other Person, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with generally accepted accounting principles, but excluding in any event (a) any gains on the sale or other disposition of investments or fixed or capital assets not in the ordinary course or (b) earnings resulting from any reappraisal, revaluation or write-up of assets; provided, however, that if such calculation is being made with respect to the Obligated Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between any Member and any other Member.

"Semiannual Mode" means any period of time, determined in accordance with the applicable Bond Indenture, during which interest on the Bonds accrues at a Semiannual Rate.

"*Semiannual Rate*" means the rate of interest established in the manner and upon the conditions set forth in the applicable Bond Indenture.

"*Series 1993 Bonds*" means the \$43,960,000 aggregate principal amount of Indiana Health Facility Financing Authority Hospital Revenue Bonds, Series 1993 (Union Hospital).

"*Series 1993 Obligation*" means the Hospital's \$43,960,000 Direct Note Obligation, Series 1993, issued under the Master Indenture as security for the Series 1993 Bonds.

"*Series 2006 Loans*" means the loans made by the Authority to the Hospital under the Loan Agreements.

"*Series 2006 Obligations*" means the Series 2006A-1 Obligation, the Series 2006A-2 Obligation, the Series 2006B-1 Obligation and the Series 2006B-2 Obligation.

"*Series 2006 Supplemental Indentures*" means the Series 2006A-1 Supplemental Indenture, the Series 2006A-2 Supplemental Indenture, the Series 2006B-1 Supplemental Indenture and the Series 2006B-2 Supplemental Indenture.

"*Series 2006A-1 Obligation*" means the Series 2006A-1 Obligation issued by the Hospital under the Series 2006A-1 Supplemental Indenture.

"*Series 2006A-1 Supplemental Indenture*" means the Supplemental Master Indenture No. 6, dated as of the date hereof, between the Hospital and the Master Trustee, under which the Series 2006A-1 Obligation is issued.

"*Series 2006A-2 Obligation*" means the Series 2006A-2 Obligation issued by the Hospital under the Series 2006A-2 Supplemental Indenture.

"*Series 2006A-2 Supplemental Indenture*" means the Supplemental Master Indenture No. 7, dated as of the date hereof, between the Hospital and the Master Trustee, under which the Series 2006A-2 Obligation is issued.

"*Series 2006B-1 Obligation*" means the Series 2006B-1 Obligation issued by the Hospital under the Series 2006B-1 Supplemental Indenture.

"*Series 2006B-1 Supplemental Indenture*" means the Supplemental Master Indenture No. 8 dated as of the date hereof, between the Hospital and the Master Trustee under which the Series 2006B-1 Obligation is issued.

"*Series 2006B-2 Obligation*" means the Series 2006B-2 Obligation issued by the Hospital under the Series 2006B-2 Supplemental Indenture.

"*Series 2006B-2 Supplemental Indenture*" means the Supplemental Master Indenture No. 9 dated as of the date hereof, between the Hospital and the Master Trustee, under which the Series 2006B-2 Obligation is issued.

"*Short-Term*", when used in connection with Indebtedness, means having an original maturity less than or equal to one year and not renewable at the option of the debtor for a term greater than one year beyond the date of original issuance.

"*Special Record Date*" means the date fixed by the Bond Trustee pursuant to the Indenture for the payment of Defaulted Interest.

"*Standard & Poor's*" or "*S&P*" means Standard & Poor's Corporation, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Bond Trustee.

"*State*" means the State of Indiana.

"*Stated Maturity*" when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond as the fixed date on which the principal of such Bond or as the date on which (unless pursuant to redemption or declaration of acceleration) such installment of interest is due and payable.

"*Supplemental Master Indenture*" means an indenture amending or supplementing the Master Indenture entered into pursuant to the Master Indenture.

"*Tax Representation Certificate*:" means the Tax Representation Certificate delivered on the Closing Date.

"*Taxable Bond Indenture*" means the Bond Trust Indenture dated as of July 1, 2006 from the Authority to the Taxable Bond Trustee, as it may from time to time be amended or supplemented, pursuant to which the Taxable Bonds are issued.

"*Taxable Bond Trustee*" means Bank of New York Trust Company, N.A., or any successor trustee under the Taxable Bond Indenture.

"*Taxable Bonds*" means the Authority's \$13,000,000 in aggregate principal amount of Taxable Variable Rate Demand Revenue Bonds, Series 2006B (Union Hospital, Inc. Project) issued under the Taxable Bond Indenture.

"*Taxable Loan Agreement*" means the Loan Agreement dated as of July 1, 2006 between the Hospital and the Authority, as it may from time to time be amended and supplemented.

"*Taxable Reimbursement Agreement*" means the Reimbursement and Pledge Agreement dated as of July 1, 2006 between the Hospital and Fifth Third Bank, an Ohio banking Corporation.

"*Tax-Exempt Bond Indenture*" means the Bond Trust Indenture dated as of July 1, 2006 from the Authority to the Tax-Exempt Bond Trustee, as it may from time to time be amended or supplemented pursuant to which the Tax-Exempt Bonds are issued.

"*Tax-Exempt Bond Trustee*" means Bank of New York Trust Company, N.A., or any successor trustee under the Tax-Exempt Indenture.

"*Tax-Exempt Bonds*" means the Authority's \$19,000,000 in aggregate principal amount of Variable Rate Demand Revenue Bonds, Series 2006A (Union Hospital, Inc. Project) issued under the Tax-Exempt Bond Indenture.

"*Tax-Exempt Loan Agreement*" means the Loan Agreement dated as of July 1, 2006 between the Hospital and the Authority, as it may from time to time be amended and supplemented.

"*Tax-Exempt Organization*" means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxation under Section 501 (a) of the Code, and which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"*Tax-Exempt Reimbursement Agreement*" means the Reimbursement and Pledge Agreement dated as of July 1, 2006 between the Hospital and Fifth Third Bank, an Ohio banking corporation.

"*Tender Agent*" means the commercial bank or trust company designated to act as the tender agent in accordance with the Bond Indentures. The initial Tender Agent is Bank of New York Trust Company, N.A.

"*Tender Date*" means an Optional Tender Date or a Mandatory Tender Date.

"*United States Government Obligations*" means direct obligations of, or obligations the timely payment of the principal of and interest on which is fully guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; provided that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee.

"*Unrestricted Receivables*" means all accounts and assignable general intangibles now owned or hereafter acquired by the Person involved regardless of where generated, and all proceeds therefrom whether cash or noncash, all as defined in Article 9 of the Uniform Commercial Code, as amended, of the state in which such Person has its principal place of business; excluding, however, gifts, grants, bequests, donations and contributions to such Person heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payments on such Person's Indebtedness.

"*Valuation Date*" means with respect to any Capital Appreciation Indebtedness the date or dates set forth in the Supplemental Master Indenture relating to such Indebtedness on which specific Accreted Values are assigned to the Capital Appreciation Indebtedness.

"*Weekly Mode*" means any period of time, determined in accordance with the applicable Bond Indenture, during which interest on the Bonds accrues at a Weekly Rate.

"*Weekly Rate*" means the rate of interest established in the manner and upon the conditions set forth in the applicable Bond Indenture.

"*Written Request*" means with reference to a Related Issuer, a request in writing signed by the Chairman, Vice Chairman, Mayor, Clerk, President, Vice President, Executive Director, Associate Executive Director, Secretary Or Assistant Secretary of the Related Issuer, with reference to any Member means a request in writing signed by the President or any Vice President of such Member, or any other officers designated by the Related Issuer or such Member, as the case may be, with reference to the Authority, a request in writing signed by the Chairman, Vice-Chairman or Executive Director of the Authority and with reference to the Hospital means a request in writing signed by the President or a Vice President of the Hospital, or any other officers designated by the Authority or the Hospital, as the case may be.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE

The Master Indenture contains various covenants, security provisions, terms and conditions, certain of which are summarized below. Reference is made to the Master Indenture for a full and complete statement of its provisions.

THE OBLIGATIONS; PAYMENT OF THE SERIES 2006 OBLIGATIONS

The total principal amount of Obligations and the number of Obligations that may be created under the Master Indenture are not limited except as described herein under the caption "Permitted Additional Indebtedness."

The Series 2006 Obligations are intended to be an absolute and unconditional, joint and several obligation of each Member of the Obligated Group. See "BONDHOLDERS' RISKS - Enforceability of Remedies" in this Official Statement. The Series 2006 Obligations will not be secured by any pledge or mortgage of, or security interest in, any assets of any Member, except for a security interest in each Member's Unrestricted Receivables and except for additional security which may be granted to certain Obligations as described below. The Master Indenture permits the Members of the Obligated Group to sell their Unrestricted Receivables on commercially reasonable terms. Subject to certain conditions set forth in the Master Indenture, a Member may incur Additional Indebtedness (which may include Additional Obligations). Such Additional Indebtedness may be secured by security in addition to any security provided for the Series 2006 Obligations or any other Indebtedness (including without limitation, letters or lines of credit, insurance or Liens on the Property, including health care Facilities, of the Obligated Group or security interests in depreciation reserve, debt service or interest reserve or debt service or similar funds). Such security need not be extended to any other Indebtedness (including the Series 2006 Obligations or any other Obligation). See "Liens on Property" and "DEFINITIONS OF CERTAIN TERMS - Permitted Encumbrances" herein. The Master Indenture provides that Supplemental Master Indentures pursuant to which one or more series of Obligations entitled to additional security is issued may provide for such supplements or amendments to the provisions of the Master Indenture, including the provisions thereof relating to the exercise of remedies upon the occurrence of an event of default, as are necessary to provide such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto.

Each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture summarized under "Cessation of Status as a Member of the Obligated Group" below), jointly and severally covenants that it will promptly pay the principal of, premium, if any, and interest on every Obligation issued under the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture and in said Obligations according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Obligations set forth in the Master Indenture or in the Obligations, each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture summarized under "Cessation of Status as a Member of the Obligated Group" below), jointly and severally agrees to make payments upon each Obligation and be liable therefor at the times and in the amounts (including principal, interest and premium, if any) equal to the amounts to be paid as interest,

principal at maturity or by mandatory sinking fund redemption, interest or premium, if any, upon any Related Bonds from time to time outstanding. If any Member does not tender payment of any installment of principal, premium or interest on any obligation when due and payable, the Master Trustee shall provide prompt written notice of such nonpayment to such Member and the Obligated Group Agent.

ENTRANCE INTO THE OBLIGATED GROUP

Any Person may become a Member of the Obligated Group if:

- (a) Such Person is a corporation;
- (b) Such Person shall execute and deliver to the Master Trustee a Supplemental Master Indenture acceptable to the Master Trustee which shall be executed by the Master Trustee and each then current Member, containing (i) the agreement of such Person (A) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture and (B) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture summarized under the heading "Cessation of Status of Member of the Obligated Group" below) to jointly and severally make payments upon each Obligation at the times and in the amounts provided in each such Obligation and (ii) representations and warranties by such Person (other than those concerning tax-exempt status if such Person is not a Tax-Exempt Organization) but with such deviations as are acceptable to the Master Trustee;
- (c) The Obligated Group Agent shall, by appropriate action of its Governing Body, have approved the admission of such Person to the Obligated Group and each of the Members shall have taken such action, if any, required to approve the admission of such Person to the Obligated Group;
- (d) The Master Trustee shall have received (1) a certificate of the Obligated Group Agent which demonstrates that, immediately upon such Person becoming a Member of the Obligated Group (A) the Members would not, as a result of such transaction, be in default in the performance or observance of any covenant or condition to be performed or observed by them under the Master Indenture, and (B) the Obligated Group could meet the conditions of the Master Indenture summarized in paragraph (A) under the heading "Permitted Additional Indebtedness" for the incurrence of one dollar of additional Funded Indebtedness, (2) an opinion of Independent Counsel to the effect that (x) the instrument described in paragraph (b) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity and to the exceptions set forth in Exhibit D hereto and (y) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status, and (3) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Indentures, an Opinion of Bond Counsel, to the effect that under

then existing law the consummation of such transaction, whether or not contemplated on the date of delivery of any such Related Bond, would not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Related Bond otherwise entitled to such exemption; provided that in making the calculation called for by the Master Indenture and summarized in subsection (d)(I)(B) above, (i) there shall be excluded from Revenues (a) any Revenues generated by Property of such Person transferred or otherwise disposed of by such Person since the beginning of the Fiscal Year during which such Person's entry into the Obligated Group occurs and (b) any Revenues generated by Property of the new Member which at the time of such Member's entry into the Obligated Group will be categorized as Excluded Property and (ii) there shall be excluded from Expenses (a) any Expenses related to Property of such Person transferred or otherwise disposed of by such Person since the beginning of the Fiscal Year during which such Person's entry into the Obligated Group occurs and (b) any Expenses related to Property of the new Member which at the time of such Member's entry into the Obligated Group will be categorized as Excluded Property; and

(e) (i) Exhibit A to the Master Indenture is amended to include a description of the real property of the Person becoming a Member upon which the primary operations of such Person are conducted and a description of any Permitted Encumbrances of the type described in paragraph (u)(ii) of the definition thereof, (ii) Exhibit C to the Master Indenture is amended to include a description of the Property of the Person becoming a Member which is to be considered Excluded Property (provided that such Property may be treated as Excluded Property only if such Property is real or tangible personal property and the primary operations of such Person are not conducted upon such real property), and (iii) Exhibit E to the Master Indenture is amended to add such Person as a Member.

Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the above-described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status.

CESSATION OF STATUS AS A MEMBER OF THE OBLIGATED GROUP

Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to cease to be a Member of the Obligated Group unless:

(a) the Member proposing to withdraw from the Obligated Group is not a party to any Related Loan Documents with respect to Related Bonds which remain outstanding, or if the Member has Indebtedness outstanding which is evidenced or secured by an Obligation, the Related Issuer, if any, of such Indebtedness gives its prior written consent to the cessation of Member status or the Obligated Group delivers an Obligation guaranteeing the indebtedness evidenced by the Related Loan Document;

(b) prior to cessation of such status, there is delivered to the Master Trustee an Opinion of Bond Counsel to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any

exemption from federal or state income taxation of interest payable thereon to which such Bond would otherwise be entitled;

(c) when it is assumed that such cessation results in a transfer of Property owned by the Member proposing to cease such status to a Person who is not a Member of the Obligated Group, the conditions precedent to such a transfer to an unrelated entity set forth in the Master Indenture and summarized in paragraph (G) under the heading "Sale, Lease or Disposition of Property" have been complied with;

(d) prior to and immediately after such cessation, no event of default exists under the Master Indenture and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an event of default;

(e) prior to such cessation there is delivered to the Master Trustee an opinion of Independent Counsel (which Counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status; and

(f) prior to cessation of such status, each Member of the Obligated Group consents in writing to the withdrawal by such Member.

Upon such cessation in accordance with the foregoing provisions, (i) Exhibit A to the Master Indenture shall be amended to delete therefrom the description of any real property and of any Permitted Encumbrances of the type described in subparagraph (u)(ii) of the definition of Permitted Encumbrances of the Member which has ceased being a Member of the Obligated Group, (ii) Exhibit C to the Master Indenture shall be amended to delete therefrom any Property of the Member which has ceased being a Member and (iii) Exhibit E to the Master Indenture shall be amended to delete therefrom the name of such Person.

LIENS ON PROPERTY

The Hospital and each other Member who joins the Obligated Group agrees that it will keep its Property free and clear of all Liens which are not Permitted Encumbrances. The Master Indenture provides that a Lien on Property of any Member securing Indebtedness shall be classified as a Permitted Encumbrance and therefore be permitted if (i) such Lien secures Non-Recourse Indebtedness; or (ii)(a) after giving effect to such Lien and all other Liens classified as Permitted Encumbrances as a result of the provisions of the Master Indenture summarized under this subsection (ii)(a), the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property of the Obligated Group which is Encumbered is not more than 15% of the value of all the Property of the Obligated Group (calculated on the same basis as the value of the Encumbered Property) and (b) the conditions of the Master Indenture summarized in subsection (A) under the heading "Permitted Additional Indebtedness" below are met for allowing the incurrence of one dollar of additional Funded Indebtedness.

PERMITTED ADDITIONAL INDEBTEDNESS

So long as any Obligations are outstanding, the Obligated Group will not incur any Additional Indebtedness (whether or not incurred through the issuance of Additional Obligations) other than:

(A) Funded Indebtedness, if prior to incurrence thereof or, if such Funded Indebtedness was incurred in accordance with another subsection of the Master Indenture summarized under this heading and any Member wishes to have such Indebtedness classified as having been issued under this subsection (A), prior to such classification, there is delivered to the Master Trustee:

- (i) An Officer's Certificate of the Obligated Group Agent acceptable to the Master Trustee stating that the Funded Indebtedness Ratio of the Obligated Group, after giving effect to the incurrence of such Indebtedness and to the application of the proceeds thereof, does not exceed 0.67:1; or
- (ii) an Officer's Certificate of the Obligated Group Agent acceptable to the Master Trustee stating that the Historical Pro Forma Debt Service Coverage Ratio of the Obligated Group for each of the two most recent Fiscal Years preceding the date of delivery of the report for which combined financial statements reported upon by independent certified public accountants are available was not less than 1.25:1, or
- (iii) (a) An Officer's Certificate of the Obligated Group acceptable to the Master Trustee stating that the Historical Debt Service Coverage Ratio of the Obligated Group for the Fiscal Year next preceding the incurrence of such Funded Indebtedness for which combined financial statements reported upon by independent certified public accountants are available was not less than 1.10:1; and (b) (1) a written Consultant's report (which report, including without limitation the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee) to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the next two succeeding Fiscal Years or, if such Indebtedness is being incurred in connection with the financing of Facilities, the two Fiscal Years succeeding the projected completion date of such Facilities, is not less than 1.10:1, or (2) an Officer's Certificate from the Obligated Group Agent in a form acceptable to the Master Trustee to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the next two succeeding Fiscal Years or, if such Indebtedness is being incurred in connection with the financing of Facilities, the two Fiscal Years succeeding the projected completion date of such Facilities, is not less than 1.20:1, provided that either of such

reports shall include forecast balance sheets, statements of revenues and expenses and statements of changes in financial position for each of such two Fiscal Years and a statement of the relevant assumptions upon which such forecasted statements are based, which financial statements must indicate that sufficient revenues and cash flow could be generated to pay the operating expenses of the Obligated Group's proposed and existing Facilities and the debt service on the Obligated Group's other existing Indebtedness during such two Fiscal Years; provided that the requirements of the foregoing subsection (ii)(a) or (b), as the case may be, shall be deemed satisfied if (x) there is delivered to the Master Trustee the report of a Consultant (which report, including without limitation the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee and which contains the information required by the proviso to subsection (iii)(b) in the case of projections) which contains an opinion of such Consultant that applicable laws or regulations have prevented or will prevent the Obligated Group from generating the amount of Income Available for Debt Service required to be generated by subsection (iii)(a) or (b), as the case may be, as a prerequisite to the issuance of Funded Indebtedness, and, if requested by the Master Trustee, such report is accompanied by a concurring opinion of Independent Counsel (which Counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) as to any conclusions of law supporting the opinion of such Consultant, (y) the report of the Consultant indicates that the rates charged or to be charged by the Obligated Group are or will be such that, in the opinion of such Consultant, the Obligated Group has generated or will generate the maximum amount of Revenues reasonably practicable given such laws or regulations, and (z) the Historical Debt Service Coverage Ratio of the Obligated Group and the Projected Debt Service Coverage Ratio of the Obligated Group referred to in the applicable subsection are at least 1.00:1.

(B) Completion Funded Indebtedness if there is delivered to the Master Trustee: (i) an Officer's Certificate of the Member for whose benefit such Indebtedness is being issued stating that at the time the original Funded Indebtedness for the Facilities to be completed was incurred, such Member had reason to believe that the proceeds of such Funded Indebtedness together with other moneys then expected to be available would provide sufficient moneys for the completion of such Facilities, (ii) a statement of an Independent Architect or an expert acceptable to the Master Trustee setting forth the amount estimated to be needed to complete the Facilities, and (iii) an Officer's Certificate of such Member stating that the proceeds of such Completion Funded Indebtedness to be applied to the completion of the Facilities, together with a reasonable estimate of investment income to be earned on such proceeds and available to pay such costs, the

amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated bank loans (including letters or lines of credit) and federal or state grants reasonably expected to be available, will be in an amount not less than the amount set forth in the statement of an Independent Architect or other expert, as the case may be, referred to in (ii).

(C) Funded Indebtedness for the purpose of refunding (whether in advance or otherwise, including without limitation refunding through the issuance of Cross-over Refunding Indebtedness) any outstanding Funded Indebtedness if prior to the incurrence thereof an Officer's Certificate of a Member is delivered to the Master Trustee stating that, taking into account the issuance of the proposed Funded Indebtedness and the application of the proceeds thereof and any other funds available to be applied to such refunding, the Maximum Annual Debt Service Requirement of the Obligated Group will not be increased by more than 15%.

(D) Short-Term Indebtedness (other than Short-Term Indebtedness incurred in accordance with the provisions of the Master Indenture summarized under subsection (E) under this heading) in a total principal amount which at the time incurred does not, together with the principal amount of all other such Short-Term Indebtedness of the Obligated Group then outstanding under the provisions of the Master Indenture summarized in this subsection (D) and the principal payable on all Funded Indebtedness during the next succeeding 12 months, excluding such principal to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increments to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal, exceed 25% of the Revenues of the Obligated Group for the most recent Fiscal Year for which combined financial statements reported upon by independent certified public accountants are available; provided, however, that for a period of 20 consecutive calendar days in each Fiscal Year the total amount of such Short-Term Indebtedness of the Obligated Group outstanding under the provisions of the Master Indenture summarized in this subsection (D) shall be not more than 5% of the Revenues of the Obligated Group during such Fiscal Year plus such additional amount as the Obligated Group Agent certifies in an Officer's Certificate is (a) attributable to Short-Term Indebtedness incurred to offset a temporary delay in the receipt of funds due from third party payors and (b) in the minimum amount reasonably practicable taking into account such delay, provided that the Obligated Group Agent in addition certifies that Short-Term Indebtedness has not been incurred during the current or prior four Fiscal Years to offset a temporary delay in the receipt of funds due from third party payors. For the purposes of this subsection, Short-Term Indebtedness shall not include overdrafts to banks to the extent there are immediately available funds of the Obligated Group sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business.

(E) Short-Term Indebtedness if:

(i) There is in effect at the time the Short-Term Indebtedness provided for by the provisions of the Master Indenture summarized in this subsection (E) is

incurred a binding commitment (including without limitation letters or lines of credit or insurance) which may be subject only to commercially reasonable contingencies, by a financial institution generally regarded as responsible, which commitment and institution are acceptable to the Master Trustee and each Related Issuer, to provide financing sufficient to pay such Short-Term Indebtedness at its maturity; and

(ii) The conditions of the Master Indenture described in subsection (A) are met with respect to such Short-Term Indebtedness when it is assumed that such Short-Term Indebtedness is Funded Indebtedness maturing over 30 years from the date of issuance of the Short-Term Indebtedness, bears interest on the unpaid principal balance at the Projected Rate and is payable on a level annual debt service basis over a 30-year period.

(F) Non-Recourse Indebtedness.

(G) Balloon Indebtedness if:

- (i) (a) there is in effect at the time such Balloon Indebtedness is incurred a binding commitment (including without limitation letters or lines of credit or insurance) which may be subject only to commercially reasonable contingencies by a financial institution generally regarded as responsible, which commitment and institution are acceptable to the Master Trustee and each Related Issuer, to provide financing sufficient to pay the principal amount of such Balloon Indebtedness coming due in each consecutive 12 month period in which 25% or more of the original principal amount of such Balloon Indebtedness comes due; and (b) the conditions set forth in the provisions of the Master Indenture summarized in subsection (A) are met with respect to such Balloon Indebtedness when the assumptions set forth in the provisions of the Master Indenture summarized in subsection (E)(ii) above are made with respect to the portion of such Balloon Indebtedness becoming due during each such 12 month period; or
- (ii) (a) a Member establishes in an Officer's Certificate filed with the Master Trustee an amortization schedule for such Balloon Indebtedness, which amortization schedule shall provide for payments of principal and interest for each Fiscal Year that are not less than the amounts required to make any actual payments required to be made in such Fiscal Year by the terms of such Balloon Indebtedness; (b) such Member agrees in such Officer's Certificate to deposit for each Fiscal Year with a bank or trust company (pursuant to an agreement between such Member and such bank or trust company, which agreement shall be satisfactory in form and substance to the Master Trustee) the amount of principal shown on such amortization schedule net of any amount

of principal actually paid on such Balloon Indebtedness during such Fiscal Year (other than from amounts on deposit with such bank or trust company) which deposit shall be made prior to any such required actual payment during such Fiscal Year if the amounts so on deposit are intended to be the source of such actual payments; and (c) the conditions of the Master Indenture summarized in subsection (A) above are met with respect to such Balloon Indebtedness when it is assumed that such Balloon Indebtedness is actually payable in accordance with such amortization schedule.

(H) Put Indebtedness if the conditions of the Master Indenture summarized in subsection (A) above are met with respect to such Put Indebtedness when it is assumed that such Put Indebtedness bears interest at the Projected Rate and is payable on a level annual debt service basis over a 30-year period commencing with the next succeeding Put Date.

The Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture amend the definition of Projected Rate in the Master Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE SUPPLEMENTAL MASTER INDENTURES – Series 2006A-1 Supplemental Master Indenture and Series 2006B-1 Supplemental Master Indenture".

(I) Guaranties by any Member of the payment by another Person of a sum certain; provided that the conditions set forth in the Master Indenture and summarized under this heading are satisfied if it is assumed that the Indebtedness guaranteed is Funded Indebtedness of such Member; provided, however, that such obligation shall be considered Funded Indebtedness of any Member only to the extent of the Member's Exposure on Guaranteed Debt; provided further that the Obligated Group's Income Available for Debt Service shall not be deemed to include any Revenues of the Primary Obligor and that the debt service payable with respect to the Indebtedness guaranteed shall be calculated in accordance with the assumptions contained in the Master Indenture.

(J) Liabilities for contributions to self-insurance or shared or pooled-risk insurance programs required or permitted to be maintained under the Master Indenture.

(K) Commitment Indebtedness.

(L) Indebtedness consisting of accounts payable incurred in the ordinary course of business or other Indebtedness not incurred or assumed primarily to assure the repayment of money borrowed or credit extended which Indebtedness is incurred in the ordinary course of business.

(M) Indebtedness the principal amount of which at the time incurred, together with (i) the aggregate principal amount of all other Indebtedness then outstanding which was issued pursuant to the provisions of the provisions of the Master Indenture summarized in this subsection (M) and which has not been subsequently reclassified as

having been issued under the provisions of the Master Indenture summarized in subsection (A), (E), (G) or (H) above, and (ii) the aggregate principal amount of all Indebtedness then outstanding under the provisions of the Master Indenture summarized in subsection (D) above, does not exceed 35% of the Revenues of the Obligated Group for the latest preceding Fiscal Year for which combined financial statements reported upon by independent certified public accountants are available.

(N) Indebtedness incurred in connection with a sale of accounts receivable with or without recourse by any Member consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, provided that the principal amount of such Indebtedness permitted hereby shall not exceed the aggregate amount of such accounts receivable so sold by such Member.

The Master Indenture provides that various types of Indebtedness may be incurred under any of the above-referenced subsections with respect to which the tests set forth in such subsection are met and need not be incurred under only a subsection specifically referring to such type of Indebtedness (e.g., Balloon Indebtedness and Put Indebtedness may be incurred under subsection (A) above if the tests therein are satisfied).

Each Member covenants that Indebtedness of the type permitted to be incurred under the provisions of the Master Indenture summarized in subsection (L) above will not be allowed to become overdue for a period in excess of that which is ordinary for similar institutions without being contested in good faith and by appropriate proceedings.

Each Member covenants that prior to, or as soon as reasonably practicable after, the incurrence of Indebtedness by such Member for money borrowed or credit extended, or the equivalent thereof, after the date of issuance of the Series 2006 Obligations it will deliver to the Master Trustee an Officer's Certificate which identifies the Indebtedness incurred, identifies the subsection of the Master Indenture summarized above pursuant to which such Indebtedness was incurred, demonstrates compliance with the provisions of such subsection and attaches a copy of the instrument evidencing such Indebtedness; it being understood that such requirement does not apply to Indebtedness incurred pursuant to the provisions of the Master Indenture summarized in subsection (J) or (L) above.

Each Member agrees, that, prior to incurring Additional Indebtedness for money borrowed or credit extended to entities other than Related Issuers, sellers of real or personal property for purchase money debt, lessors of such property or banks or other institutional lenders, it will provide the Master Trustee with an opinion of Independent Counsel acceptable to the Master Trustee to the effect that, to such Counsel's knowledge, such Member has complied in all material respects with all applicable state and federal laws regarding the issuance of securities in connection with the incurrence of such Additional Indebtedness (including the issuance of any securities or other evidences of indebtedness in connection therewith) and such Counsel has no reason to believe that a right of rescission under such laws exists on the part of the entities to which such Additional Indebtedness is to be incurred.

CALCULATION OF DEBT SERVICE AND DEBT SERVICE COVERAGE

The various calculations of the amount of Indebtedness of a Person, the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness required under the Master Indenture shall be made in a manner consistent with the provisions of the Master Indenture summarized above under "Permitted Additional Indebtedness" and under this heading. In the case of Balloon or Put Indebtedness issued pursuant to the provisions of the Master Indenture summarized in subsection (B), (G), (H) or (M) described under the heading "Permitted Additional Indebtedness" above, unless such Indebtedness is reclassified pursuant to the provisions of the Master Indenture summarized under this heading as having been issued pursuant to another subsection summarized under the heading "Permitted Additional Indebtedness" set forth above, the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness for future periods shall be calculated on the assumption that such Indebtedness is being issued simultaneously with such calculation. With respect to Put Indebtedness, if the option of the holder to require that such Indebtedness be paid, purchased or redeemed prior to its stated maturity date, or if the requirement that such Indebtedness be paid, purchased or redeemed prior to its stated maturity date (other than at the option of such holder and other than pursuant to any mandatory sinking fund or any similar fund), has expired or lapsed as of the date of calculation, such Put Indebtedness shall be deemed payable in accordance with its terms.

In determining the amount of debt service payable on Indebtedness in the course of the various calculations required under certain provisions of the Master Indenture, if the terms of the Indebtedness being considered are such that interest thereon for any future period of time is expressed to be calculated at a varying rate per annum, a formula rate or a fixed rate per annum based on a varying index, then for the purpose of making such determination of debt service, interest on such Indebtedness for such period (the "Determination Period") shall be computed by assuming that the rate of interest applicable to the Determination Period is equal to the average of (i) the rate of interest (calculated in the manner in which the rate of interest for the Determination Period is expressed to be calculated) which was in effect on the last date of each of the twelve consecutive calendar months immediately preceding the month in which such calculation is made or (ii) if the index or other basis for calculating such interest was not in existence for twelve consecutive calendar months, the rate of interest (calculated in the manner in which the rate of interest for the Determination Period is expressed to be calculated) which was in effect on the last date of each calendar month in which such index or other basis was in existence; provided that if the index or other basis for calculating such interest was not in existence for at least three full calendar months next preceding the date of calculation, the rate of interest for such portion of such period shall be deemed to be the rate of interest borne by such Indebtedness when issued.

Obligations issued to secure Indebtedness permitted to be incurred under the provisions of the Master Indenture and summarized under the heading "Permitted Additional Indebtedness" above shall not be treated as Additional Indebtedness.

No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as funding occurs under the commitment which gave rise to such Commitment Indebtedness. From and after such funding, the amount of such debt service shall be calculated

in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto. No Additional Indebtedness shall be deemed to arise when any funding occurs under any such commitment or any such commitment is renewed upon terms which provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as obtained prior to such renewal. In addition, no Additional Indebtedness shall be deemed to arise when Indebtedness which bears interest at a variable rate of interest is converted to Indebtedness which bears interest at a fixed rate or the method of computing the variable rate on such Indebtedness is changed or the terms upon which Indebtedness, if Put Indebtedness, may be or is required to be tendered for purchase are changed, if such conversion or change is in accordance with the provisions applicable to such variable rate Indebtedness or Put Indebtedness in effect immediately prior to such conversion or change.

Balloon Indebtedness incurred as provided under the provisions of the Master Indenture and summarized in subsection (B) or (M) under the heading "Permitted Additional Indebtedness" above, unless reclassified pursuant to the provisions of the Master Indenture summarized under this heading, shall be deemed to be payable in accordance with the assumptions set forth in the provisions of the Master Indenture and summarized in subsection (G)(i)(b) under the heading "Permitted Additional Indebtedness" above. Put Indebtedness incurred as provided under the provisions of the Master Indenture and summarized in subsection (B) or (M) under the heading "Permitted Additional Indebtedness" above, unless reclassified pursuant to the provisions of the Master Indenture and summarized under this heading, shall be deemed to be payable in accordance with the assumptions set forth in the Master Indenture and summarized in subsection (H)(ii) under the heading "Permitted Additional Indebtedness" above.

For the purposes of the various calculations required under the Master Indenture, the Capitalized Rentals under a Capitalized Lease at the time of such calculation shall be deemed to be the principal payable thereon.

The Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture amend the Master Indenture to take into consideration an Interest Rate Agreement for purposes of Debt Service Coverage. See "SUMMARY OF CERTAIN PROVISIONS OF THE SUPPLEMENTAL MASTER INDENTURES – Series 2006A-1 Supplemental Master Indenture and Series 2006B-1 Supplemental Master Indenture".

Each Member may elect to have Indebtedness issued pursuant to one provision of the Master Indenture summarized under the heading "Permitted Additional Indebtedness" above, including without limitation subsection (M), reclassified as having been incurred under another provision of the Master Indenture summarized under the heading "Permitted Additional Indebtedness" above, by demonstrating compliance with such other provision on the assumption that such Indebtedness is being reissued on the date of delivery of the materials required to be delivered under such other provision including the certification of any applicable Projected Rate. From and after such demonstration, such Indebtedness shall be deemed to have been incurred under the provision with respect to which such compliance has been demonstrated until any subsequent reclassification of such Indebtedness.

RATES AND CHARGES

Each Member covenants and agrees to operate all of its Facilities on a revenue producing basis and to charge such fees and rates for its Facilities and services and to exercise such skill and diligence as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it under the Master Indenture to the extent permitted bylaw. Each Member further covenants and agrees that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of the Master Indenture summarized under this heading.

If in any Fiscal Year the Historical Debt Service Coverage Ratio of the Obligated Group is less than 1.10:1, the Master Trustee shall require the Obligated Group at its expense to retain a Consultant to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase the Historical Debt Service Coverage Ratio to at least 1.10:1.

A copy of the Consultant's report and recommendations, if any, shall be filed with each Member, the Master Trustee, each Related Bond Trustee, each Related Issuer and each other Qualifying Obligation holder. Each Member shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined by the Governing Body of such Member and each Related Issuer) and permitted by law. The provisions of the Master Indenture summarized under this heading shall not be construed to prohibit any Member from serving indigent patients to the extent required for such Member to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of patients without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of the Master Indenture summarized under this heading.

The foregoing provisions of the Master Indenture notwithstanding, if in any Fiscal Year the Historical Debt Service Coverage Ratio of the Obligated Group is less than 1.10:1, the Master Trustee shall not be obligated to require the Obligated Group to retain a Consultant to make such recommendations if: (a) there is filed with the Master Trustee (who shall provide a copy to each Qualifying Obligation holder, Related Bond Trustee and Related Issuer) a written report addressed to them of a Consultant (which Consultant and report, including without limitation the scope, form, substance and other aspects of such report, are acceptable to the Master Trustee) which contains an opinion of such Consultant that applicable laws or regulations have prevented the Obligated Group from generating Income Available for Debt Service in an amount sufficient to produce an Historical Debt Service Coverage Ratio during such Fiscal Year of 1.10:1 and, if requested by the Master Trustee, such report is accompanied by a concurring opinion of Independent Counsel (which Counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) as to any conclusions of law supporting the opinion of such Consultant; (b) the report of such Consultant indicates that the rates charged by the Obligated Group are such that, in the opinion of the Consultant, the Obligated Group has generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (c) the Historical Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year was at least 1.00:1. The Obligated Group shall not be

required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Obligated Group provides to the Master Trustee (who shall provide a copy to each Qualifying Obligation holder, Related Bond Trustee and Related Issuer) an opinion of Independent Counsel (which Counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

INSURANCE

Each Member shall maintain, or cause to be maintained at its sole cost and expense, insurance with respect to its Property, the operation thereof and its business against such casualties, contingencies and risks (including but not limited to public liability and employee dishonesty) and in amounts not less than is customary in the case of corporations engaged in the same or similar activities and similarly situated and as is adequate to protect its Property and operations. For purposes of the provisions of the Master Indenture summarized under this heading, the term Property shall be deemed to include Excluded Property. The Obligated Group Agent shall annually review the insurance each Member maintains as to whether such insurance is customary and adequate. In addition, the Obligated Group Agent shall at least once every two Fiscal Years cause a certificate of an Insurance Consultant or Insurance Consultants to be delivered to the Master Trustee which indicates that the insurance then being maintained by the Members is customary in the case of corporations engaged in the same or similar activities and similarly situated and is adequate to protect the Obligated Group's Property and operations. The Obligated Group Agent shall cause copies of its review, or the certificates of the Insurance Consultant or Insurance Consultants, as the case may be, to be delivered promptly to the Master Trustee, to each Related Bond Trustee and to each Related Issuer. The Obligated Group or any Member may self-insure if the Insurance Consultant or Insurance Consultants determines that such self-insurance meets the standards set forth in the first sentence of this paragraph and is prudent under the circumstances.

SALE, LEASE OR OTHER DISPOSITION OF PROPERTY

Each Member agrees that it will not, in any consecutive 12-month period, sell, lease or otherwise dispose (including without limitation any involuntary disposition) of Property which, together with all other Property transferred by Members in transactions other than those described in the provisions of the Master Indenture summarized in; subsections (A) through (H) below, totals for such 12-month period in excess of 5% of the total value of the Property of the Obligated Group (calculated on the basis of the Book Value of the assets shown on the assets side of the balance sheet in the combined financial statements of the Obligated Group for the Fiscal Year next preceding the date of such sale, lease or other disposition for which combined financial statements of the Obligated Group reported on by independent certified public accountants are available or, if the Obligated Group Agent so elects, on the basis of Current Value), except for transfers or other dispositions in the ordinary course of business and except for transfers or other dispositions of Property:

- (A) In return for other Property of equal or greater value and usefulness;

(B) To any Person, if prior to such sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of a Member stating that, in the judgment of the signer, such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(C) To another Member;

(D) Upon fair and reasonable terms no less favorable to the Member than would obtain in a comparable arm's-length transaction;

(E) To any Person, if such Property consists solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on the Obligations;

(F) Pursuant to the provisions of the Master Indenture summarized under the heading "Dividends and Stock Purchases" below, where the Property subject to such transfer consists solely of cash;

(G) To any Person upon delivery to the Master Trustee of: (i) an Officer's Certificate of a Member (accompanied by the independent certified public accountant's reports mentioned below) certifying that during the Fiscal Year immediately preceding the proposed disposition for which financial statements have been reported upon by independent certified public accountants, the Historical Debt Service Coverage Ratio of the Obligated Group, taking into account such disposition, would not have been reduced by more than 35% and would not have been reduced to less than 1.10:1, (ii) an Officer's Certificate of a Member stating that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the two full Fiscal Years immediately following the date of such report, taking into account such disposition, (a) would not be reduced more than 35% from the Projected Debt Service Coverage Ratio of the Obligated Group which would have been estimated or forecasted if it were assumed such disposition would not occur and (b) would not be reduced to less than 1.50:1, (iii) a written report from a Consultant stating that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the two full Fiscal Years immediately following the date of such report, taking into account such disposition, (a) would not be reduced more than 35% from the Projected Debt Service Coverage Ratio of the Obligated Group which would have been estimated or forecasted if it were assumed such disposition would not occur and (b) would not be reduced to less than 1.20:1 or (iv) a written report from a Consultant stating that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the two full Fiscal Years immediately following the date of such report, taking into account such disposition, would not be less than the Projected Debt Service Coverage Ratio for the Obligated Group which would have been estimated or forecasted if it were assumed such disposition would not occur; or

(H) To any Affiliate, to the extent the total Book Value of such Property transferred pursuant to the provisions of the Master Indenture summarized in this subsection (H) in any one Fiscal Year does not exceed 2% of the total value of the Property of the Obligated Group (calculated on the basis of the Book Value of the assets shown on the assets side of the balance sheet in the combined financial statements of the Obligated Group for the Fiscal Year next preceding the date of such sale, lease or other disposition for which combined financial statements of the Obligated Group reported on by independent certified public accountants are available or, if the Obligated Group Agent so elects, on the basis of Current Value).

In connection with any sale, lease or other disposition of Property, the parties to the Master Indenture agree that to the extent the Member of the Obligated Group receives Property in return for such sale, lease or disposition, the Property which is sold, leased or disposed of shall be treated, for purposes of the provisions of the Master Indenture summarized under this heading, as having been transferred in satisfaction of the provisions of subsection (A) above to the extent of the fair market value of the Property received by the Member of the Obligated Group. The Member shall be required, however, to satisfy the conditions contained in one of the other provisions of the Master Indenture summarized under this heading with respect to the remaining value of such Property in excess of the fair market value of the Property received by the Member in return therefor prior to any such sale, lease or other disposition.

The foregoing provisions of the Master Indenture notwithstanding, each Member further agrees that it will not sell, lease, donate or otherwise dispose of Property (a) which could reasonably be expected at the time of such sale, lease, donation or disposition to result in a reduction of the Historical Debt Service Coverage Ratio for the Obligated Group such that the Master Trustee would be obligated to require the Obligated Group to retain a Consultant pursuant to the provisions of the Master Indenture and summarized under "Rates and Charges" above, or (b) if a Consultant has been retained in the circumstances described under the heading "Rates and Charges", such action, in the opinion of such Consultant, will have an adverse effect on the Income Available for Debt Service of the Obligated Group. The parties to the Master Indenture agree that the rendering of any service, the making of any loan, the extension of any credit or any other transaction, with any Affiliate except pursuant to the reasonable requirements of such Member's activities and upon fair and reasonable terms no less favorable to it than would obtain in a comparable arm's-length transaction with a person not an Affiliate is and shall be subject to, and shall be permitted only if there is compliance with, the provisions of the Master Indenture summarized under this heading.

MERGER, CONSOLIDATION, SALE OR CONVEYANCE

Each Member agrees that it will not merge into, or consolidate with, one or more corporations which are not Members, or allow one or more of such corporations to merge into it, or sell or convey all or substantially all of its Property to any Person who is not a Member, unless:

- (i) Any successor corporation to such Member (including without limitation any purchaser of all or substantially all the Property of such Member) is a corporation organized and existing under the

laws of the United States of America or a state thereof and shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture to be kept and performed by such Member;

- (ii) Immediately after such merger or consolidation, or such sale or conveyance, no Member would be in default in the performance or observance of any covenant or condition of any Related Loan Document or the Master Indenture;
- (iii) Immediately after such merger or consolidation, or such sale or conveyance, the condition of the Master Indenture summarized in subsection (ii)(a) under the heading "Liens on Property" would be met for the creation of a Lien on Property and the condition of the Master Indenture summarized in subsection (A) under the heading "Permitted Additional Indebtedness" would be met for the incurrence of one dollar of additional Funded Indebtedness, assuming that any Indebtedness of any successor or acquiring corporation is Indebtedness of such Member and that the Revenues and Expenses of the Member for such most recent Fiscal Year include the Revenues and Expenses of such other corporation; and
- (iv) If all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee an Opinion of Bond Counsel to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on the original date of delivery of such Related Bonds, would not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal or state income taxation of interest payable on such Related Bonds.

In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named as such Member. Any successor corporation to such Member thereupon may cause to be signed and may issue in its own name Obligations under the Master Indenture and the predecessor corporation shall be released from its obligations Under the Master Indenture and under any Obligations, if such predecessor corporation shall have conveyed all Property owned by it (or all such Property shall be deemed conveyed by operation of law) to such successor corporation. All Obligations so issued by such successor corporation under the Master Indenture shall in all respects have the

same legal rank and benefit under the Master Indenture as Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued under the Master Indenture by such prior Member without any such consolidation, merger, sale or conveyance having occurred.

In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate.

The Master Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of the Master Indenture summarized under this heading and that it is proper for the Master Trustee under the provisions of the Master Indenture to join in the execution of any instrument required to be executed and delivered by the Master Indenture.

DIVIDENDS AND STOCK PURCHASES

The Master Indenture provides that if at any time any Member shall have outstanding any capital stock, such Member will not (i) declare or pay any dividends, either in cash or Property, on any shares of such stock (except dividends or other distributions payable solely in shares of such stock), (ii) directly or indirectly purchase, redeem or retire any shares of such stock or any warrants, rights or options to purchase or acquire any shares of such stock, or (iii) make any other payment or distribution, either directly or indirectly, in respect of such stock, which dividend, purchase; redemption, retirement payment or other distribution, when aggregated with all other such dividends, purchases, redemptions, retirements, payments or distributions would exceed 50% of Cumulative Net Income Available for Dividends of the Obligated Group.

A Member will not declare any dividend payable more than 60 days after the date of declaration thereof.

For the purposes of the provisions summarized under this heading, the amount of any dividend or distribution declared, paid or distributed in Property shall be deemed to be the greater of the Book Value or the Current Value of such Property at the time of the making of such dividend or distribution.

The foregoing notwithstanding, any dividend or distribution paid by one Member to any other Member shall not be subject to the restrictions of the Master Indenture summarized under this heading.

DAMAGE OR DESTRUCTION

Each Member agrees to notify the Master Trustee immediately in the case of the destruction of its Facilities or any portion thereof as a result of fire or other casualty, or any damage to such Facilities or portion thereof as a result of fire or other casualty, the Net Proceeds of which are estimated to exceed the greater of (a) \$3,000,000 or (b) the sum of \$3,000,000 plus an amount equal to \$3,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index as provided in the Master Indenture.

If the Net Proceeds of insurance do not exceed the greater of (a) or (b) above, the Member suffering such casualty or loss may use such Net Proceeds in any manner it deems prudent and as is consistent with the Master Indenture, with the Loan Agreements and with the Tax Representation Certificate. In the event such Net Proceeds exceed the greater of (a) or (b), the Member suffering such casualty or loss shall within 12 months after the date on which the Net Proceeds are finally determined elect by written notice of such election to the Master Trustee one of the following three options, subject to the approval of the Master Trustee (which approval may not be unreasonably withheld):

(a) *Option A-Repair and Restoration.* Such Member may elect to replace, repair, reconstruct, restore or improve any of the Facilities of the Obligated Group or acquire additional Facilities for the Obligated Group or repay Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds. In such event an amount equal to the Net Proceeds of any insurance relating thereto shall be deposited, when received, with the Master Trustee and such Member shall proceed forthwith to replace, repair, reconstruct, restore or improve Facilities of the Obligated Group or to acquire additional Facilities and will apply the Net Proceeds of any insurance relating to such damage or destruction received from the Master Trustee to the payment or reimbursement of the costs of such replacement, repair, reconstruction, restoration, improvement or acquisition or to the repayment of such Indebtedness. So long as the Members are not in default under the Master Indenture, any Net Proceeds of insurance relating to such damage or destruction received by the Master Trustee shall be released from time to time by the Master Trustee to such Member upon the receipt by the Master Trustee of:

(1) the Written Request of such Member specifying the expenditures made or to be made or the Indebtedness incurred in connection with such replacement, repair, reconstruction, restoration, improvement or acquisition and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such replacement, repair, reconstruction, restoration, improvement or acquisition; and

(2) if such expenditures were or are to be made or such Indebtedness was incurred for the construction or renovation of Facilities, the written approval of such Written Request by an Independent Architect, if an Independent Architect has been hired in connection with such construction or renovation.

It is further understood and agreed that in the event such Member shall elect this Option A, such Member shall complete the replacement, repair, reconstruction, restoration, improvement and acquisition of the Facilities, whether or not the Net Proceeds of insurance received for such purposes are sufficient to pay for the same.

(b) *Option B-Prepayment of Obligations.* Subject to the obligations of the Members to keep their Facilities in good and working order, such Member may elect to have all of the Net Proceeds payable as a result of such damage or destruction applied to the prepayment of the Obligations. In such event such Member shall, in its notice of election to the Master Trustee, direct the Master Trustee to apply such Net Proceeds, when and as received, to the prepayment of Obligations.

(c) *Option C-Partial Restoration and Partial Prepayment of Obligations.* Such Member may elect to have a portion of such Net Proceeds applied to the replacement, repair, reconstruction, restoration and improvement of the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds with the remainder of such Net Proceeds to be applied to prepay Obligations, in which event such Net Proceeds to be used for replacement, repair, reconstruction, restoration, improvement and acquisition shall be applied as set forth in subparagraph (a) above and such Net Proceeds to be used for prepayment of Obligations shall be applied as set forth in subparagraph (b) above.

The foregoing notwithstanding, no Member will be required to comply with the provisions of the Master Indenture summarized under this heading to the extent that the Facilities damaged or destroyed were pledged as security for Non-Recourse Indebtedness incurred in accordance with the provisions of the Master Indenture summarized in subsection (F) under the heading "Permitted Additional Indebtedness" above or Indebtedness secured by Liens which comply with the provisions of the Master Indenture summarized in subsection (ii) under the heading "Liens on Property" above and the documents pursuant to which such Indebtedness was incurred require Net Proceeds to be applied in a manner inconsistent with the provisions of the Master Indenture summarized under this heading.

CONDEMNATION

The Master Trustee shall cooperate fully with the Members in the handling and conduct of any prospective or pending condemnation proceedings with respect to their Facilities or any part thereof. Each Member irrevocably assigns to the Master Trustee, as its interests may appear, all right, title and interest of such Member in and to any Net Proceeds of any award, compensation or damages payable in connection with any such condemnation or taking, or payment received in a sale transaction consummated under threat of condemnation (any such award, compensation, damages or payment being hereinafter referred to as an "award"), which exceeds the greater of (a) \$3,000,000 or (b) the sum of \$3,000,000 plus an amount equal to \$3,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index as provided in the Master Indenture.

In the event such Net Proceeds do not exceed the greater of (a) or (b) above, the Member suffering such taking may use such Net Proceeds in any manner it deems prudent, and as is consistent with the Master Indenture, with the Loan Agreements and with the Tax Representation Certificate. In the event such Net Proceeds exceed the greater of (a) or (b) above, the Member in question shall within 12 months after the date on which the Net Proceeds are finally determined elect by written notice of such election to the Master Trustee one of the following three options, subject to the approval of the Master Trustee (which approval may not be unreasonably withheld):

(a) *Option A-Repairs and Improvements.* The Member may elect to use the Net Proceeds of the award for restoration or replacement of or repairs and improvements to the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds. In such event, so long as the Obligated Group is not in default under the

Master Indenture, such Member shall have the right to receive such Net Proceeds from the Master Trustee from time to time upon the receipt by the Master Trustee of:

(1) the Written Request of such Member specifying the expenditures made or to be made: or the Indebtedness incurred in connection with such restoration, replacement, repairs, improvements and acquisitions and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such restoration, replacement, repairs, improvements and acquisition; and

(2) if such expenditures were or are to be made or such Indebtedness was incurred for the construction or renovation of Facilities, the written approval of such Written Request by an Independent Architect, if an Independent Architect has been hired in connection with such construction or renovation.

(b) *Option B-Prepayment of Obligations.* Subject to the obligation of such Member maintain its Facilities in good and working order, such Member may elect to have such Net Proceeds of the award applied to the prepayment of the Obligations. In such event such Member shall, in its notice of election to the Master Trustee, direct the Master Trustee to apply such Net Proceeds, when and as received, to the prepayment of Obligations.

(c) *Option C-Partial Restoration and Partial Prepayment of Obligations.* Such Member may elect to have a portion of such Net Proceeds of the award applied to the repair, replacement, restoration and improvement of the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds, with the remainder of such Net Proceeds to be applied to the prepayment of Obligations, in which event such Net Proceeds to be used for repair, replacement, restoration, improvement and acquisition shall be applied as set forth in subparagraph (a) above and such Net Proceeds to be used for prepayment of Obligations shall be applied as set forth in subparagraph (b) above.

The foregoing notwithstanding, no Member will be required to comply with the provisions of the Master Indenture summarized under this heading to the extent that the Facilities damaged or destroyed were pledged as security for Non-Recourse Indebtedness incurred in accordance with the provisions of the Master Indenture summarized in subsection (F) under the heading "Permitted Additional Indebtedness" above or Indebtedness secured by Liens which comply with the provisions of the Master Indenture summarized in subsection (ii) under the heading "Liens on Property" above and the documents pursuant to which such Indebtedness was incurred require Net Proceeds to be applied in a manner inconsistent with the provisions of the Master Indenture summarized under this heading.

OTHER COVENANTS OF THE MEMBERS

Each Member covenants to, among other things, (a) pay all taxes, levies, assessments and charges on account of the use, occupancy or operation of its Property and comply with all present and future laws, ordinances, orders, decrees, decisions, rules, regulations and requirements of every duly constituted governmental authority, commission and court and the officers thereof which may be applicable to it or any of its affairs, business operations and

Property; provided that such Member has the right to contest any of the foregoing provided that no such contest shall subject the Master Trustee, any Obligation holder or any Related Issuer to the risk of any liability, and that the Member will save the Master Trustee, all Obligation holders, all Related Bond Trustees, and all Related Issuers harmless from and against all losses, judgments, decrees and costs as a result of such contest; (b) maintain, preserve and keep all of its Property and each part thereof in good condition, repair and working order, and make all necessary and proper repairs and replacements thereto; (c) procure and maintain all necessary licenses and permits.

DEFAULTS AND REMEDIES

The following events are "events of default" under the Master Indenture:

(a) failure of the Obligated Group to pay any installment of interest or principal, or any premium, on any Obligation when the same shall become due and payable, whether at maturity, upon any date fixed for prepayment or by acceleration or otherwise and the continuance of such failure for five days; or

(b) failure of any Member to comply with, observe or perform any of the covenants, conditions, agreements or provisions hereof and to remedy such default within 30 days after written notice thereof to such Member and the Obligated Group Agent from the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Obligations (for this purpose, the principal amount of Capital Appreciation Indebtedness shall be deemed to be the Accreted Value thereof at the time of determination); provided, that if such default cannot with due diligence and dispatch be wholly cured within 30 days but can be wholly cured, the failure of the Member to remedy such default within such 30-day period shall not constitute a default under the Master Indenture if the Member shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(c) any representation or warranty made by any Member in the Master Indenture or in any statement or certificate furnished to the Master Trustee or the purchaser of any Obligation in connection with the sale of any Obligation or furnished by any Member pursuant hereto proves untrue in any material respect as of the date of the issuance or making thereof and shall not be corrected or brought into compliance within 30 days after written notice thereof to the Obligated Group Agent by the Master Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Obligations (for this purpose, the principal amount of Capital Appreciation Indebtedness shall be deemed to be the Accreted Value thereof at the time of determination); or

(d) default in the payment of the principal of, premium, if any, or interest on any Indebtedness for borrowed money (other than Non-Recourse Indebtedness) of any Member, including without limitation any Indebtedness created by any Related Loan Document, as and when the same shall become due, or an event of default as defined in any mortgage, indenture, loan agreement or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness (including any Obligation) of any Member, and which default in payment or event of default entitles the holder thereof to declare or, in the case

of any Obligation, to request that the Master Trustee declare, such Indebtedness due and payable prior to the date on which it would otherwise become due and payable; provided, however, that if such Indebtedness is not evidenced by an Obligation or issued, incurred or secured by or under a Related Loan Document, a default in payment thereunder shall not constitute an "event of default" under the Master Indenture unless the unpaid principal amount of such Indebtedness, together with the unpaid principal amount of all other Indebtedness so in default, exceeds 1% of the unrestricted fund balance of the Obligated Group as shown on or derived from the then latest available audited combined financial statements of the Obligated Group; or

(e) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against any Member or against any Property of any Member and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 30 days; provided, however, that none of the foregoing shall constitute an event of default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds 1% of the unrestricted fund balance of the Obligated Group as shown on or derived from the then latest available audited combined financial statements of the Obligated Group; or

(f) any Member admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for such Member, or for the major part of its Property; or

(g) a trustee, custodian, or receiver is appointed for any Member or for the major part of its Property and is not discharged within 30 days after such appointment; or

(h) bankruptcy, dissolution, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against any Member (other than bankruptcy proceedings instituted by any Member against third parties), and if instituted against any Member are allowed against such Member or are consented to or are not dismissed, stayed or otherwise nullified within 60 days after such institution; or

(i) payment of any installment of interest or principal, or any premium, on any Related Bond shall not be made when the same shall become due and payable under the provisions of any Related Bond Indenture.

If an event of default has occurred and is continuing, the Master Trustee may, and if requested by either the holders of not less than 25% in aggregate principal amount of outstanding Obligations (for this purpose, the principal amount of Capital Appreciation Indebtedness shall be deemed to be the Accreted Value thereof at the time of determination) or the holder of any Accelerable Instrument under which Accelerable Instrument an event of default exists (which event of default permits the holder thereof to request that the Master Trustee declare such Indebtedness evidenced by an Obligation due and payable prior to the date on which it would otherwise become due and payable), shall, by notice in writing delivered to the Obligated Group

Agent, declare the entire principal amount of all Obligations then outstanding under the Master Indenture and the interest accrued thereon immediately due and payable, and the entire principal and such interest shall thereupon become immediately due and payable, subject, however, to the provisions of the Master Indenture summarized under the heading "Waiver of Events of Default" below.

The Series 2006 Obligations and the Loan Agreements are Accelerable Instruments. The Bond Indentures provide that the Bond Trustee is deemed to be the holder of the Series 2006A-1 Obligation and the 2006B-1 Obligation.

Upon the occurrence of any event of default under the Master Indenture, the Master Trustee may pursue any available remedy including a suit, action or proceeding at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Obligations outstanding and any other sums due under the Master Indenture and may collect such sums in the manner provided by law out of the Property or the Excluded Property of any Member wherever situated.

DIRECTION OF PROCEEDINGS

The holders of (i) a majority in aggregate principal amount of the Obligations then outstanding which have become due and payable in accordance with their terms or have been declared due and payable pursuant to the Master Indenture and have not been paid in full in the case of remedies exercised to enforce such payment, or (ii) the holders of a majority in aggregate principal amount of the Obligations then outstanding (for this purpose, the principal amount of Capital Appreciation Indebtedness shall be deemed to be the Accreted Value thereof at the time of determination) in the case of any other remedy, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Indenture and that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by counsel (who may be its own counsel) that the action so directed may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of the Obligations not parties to such direction. Pending such direction from the holders of a majority in aggregate principal amount of the Obligations outstanding, such direction may be given in the same manner and with the same effect by the holder of an Accelerable Instrument upon whose request pursuant to the Master Indenture the Master Trustee has accelerated the Obligations.

The foregoing notwithstanding, the holders of a majority in aggregate principal amount of the Obligations then outstanding which are entitled to the exclusive benefit of certain security in addition to that intended to secure all or other Obligations shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture, the Supplemental Master Indenture or Indentures pursuant to which such Obligations were issued or so secured or any

separate security document in order to realize on such security; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Indenture.

RIGHTS AND REMEDIES OF OBLIGATION HOLDERS

No holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Master Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless a default shall have become an event of default and (a) the holders of 25% or more in aggregate principal amount (i) of the Obligations which have become due and payable in accordance with their terms or have been declared due and payable pursuant to Section 503 hereof and have not been paid in full in the case of powers exercised to enforce such payment or (ii) the Obligations then outstanding in the case of any other exercise of power or (b) the holder of an Accelerable Instrument upon whose request pursuant to Section 503 hereof the Master Trustee has accelerated the Obligations, shall have made written request to the Master Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name, and unless also, in each case, such holders have offered to the Master Trustee indemnity as provided in Section 601(k), and unless the Master Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Master Trustee to be conditions precedent to the execution of the powers and trusts of this Master Indenture and to any action or cause of action for the enforcement of this Master Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders of the Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Master Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Obligations outstanding. Nothing in this Master Indenture contained shall, however, affect or impair the right of any holder to enforce the payment of the principal of, premium, if any, and interest on any Obligation at and after the maturity thereof, or the obligation of the Members to pay the principal, premium, if any, and interest on each of the Obligations issued hereunder to the respective holders thereof at the time and place, from the source and in the manner in said Obligations expressed.

WAIVER OF EVENTS OF DEFAULT

If, at any time after the principal of all Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided and before the acceleration of any Related Bond, any Member shall pay or shall deposit with the Master Trustee a sum sufficient to pay all matured installments of interest upon all such Obligations and the principal and premium, if any, of all such Obligations that shall have become due otherwise than by acceleration (with interest on overdue installments of interest and on such principal and premium, if any, at the rate borne by such Obligations to the date of such payment or deposit, to the extent permitted by law) and the expenses of the Master Trustee, and any and all events of default under the Master Indenture,

other than the nonpayment of principal of and accrued interest on such Obligations that shall have become due by acceleration, shall have been remedied, then and in every such case the holders of a majority in aggregate principal amount of all Obligations then outstanding and the holder of each Accelerable Instrument who requested the giving of notice of acceleration, by written notice to the Obligated Group Agent and to the Master Trustee, may waive all events of default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent event of default, or shall impair any right consequent thereon.

SUPPLEMENTAL MASTER INDENTURES

Subject to the limitations set forth in the next paragraph, the Members and the Master Trustee may, without the consent of, or notice to, any of the Obligation holders, amend or supplement the Master Indenture to: (a) provide for the issuance of Additional Obligations; (b) grant to or confer upon the Master Trustee for the benefit of the Obligation holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Obligation holders and the Master Trustee, or either of them, to add to the covenants of the Members for the benefit of the Obligation holders or to surrender any right or power conferred under the Master Indenture upon any Member; (c) assign and pledge under the Master Indenture additional revenues, properties or collateral; (d) cure any ambiguity or defective provision in or omission from the Master Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or adversely affect the holder of any Obligation; (e) evidence the succession of another corporation to the agreements of a Member or the Master Trustee, or the successor of any thereof under the Master Indenture; (f) permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter in effect or permit the qualification of any Obligations for sale under the securities laws of any state of the United States; (g) provide for the refunding or advance refunding of any Obligation; (h) reflect the addition to or withdrawal of a Member from the Obligated Group; (i) provide for the issuance of Obligations with original issue discount, provided such issuance would not materially adversely affect the holders of Outstanding Obligations; (j) permit an Obligation to be secured by security which is not extended to all Obligation holders; (k) permit the issuance of Obligations which are not in the form of a promissory note; and (l) make any other change which, in the opinion of the Master Trustee, does not materially adversely affect the holders of any of the Obligations and, in the opinion of each Related Bond Trustee, does not materially adversely affect the holders of the Related Bonds with respect to which it acts as trustee, including without limitation any modification, amendment or supplement to the Master Indenture or any indenture supplemental thereto in such a manner as to establish or maintain exemption of interest on any Related Bonds under a Related Bond Indenture from federal income taxation under applicable provisions of the Code.

The holders of not less than 51% in aggregate principal amount of the Obligations which are outstanding under the Master Indenture at the time of the execution of a Supplemental Master Indenture or, in case less than all of the several series of Obligations are affected thereby, the holders of not less than 51% in aggregate principal amount of the Obligations of each series affected thereby which are outstanding at the time of execution of such Supplemental Master Indenture (for this purpose, the principal amount of Capital Appreciation Indebtedness shall be

deemed to be the Accreted Value thereof at the time of determination), shall have the right, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by the Members and the Master Trustee of such Supplemental Master Indentures as shall be deemed necessary and desirable by the Members for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Master Indenture; provided, however, that nothing contained in the Master Indenture shall permit, or be construed as permitting (a) an extension of the stated maturity or reduction in the principal amount of or reduction in the rate or extension of the time of paying of interest on or reduction of any premium payable on the redemption of, any Obligation, without the consent of the holder of such Obligation, (b) a reduction in the aforesaid aggregate principal amount of Obligations the holders of which are required to consent to any such Supplemental Master Indenture, without the consent of the holders of all the Obligations at the time outstanding which would be affected by the action to be taken, or (c) modification of the rights, duties or immunities of the Master Trustee, without the written consent of the Master Trustee; provided further that no such modification shall be made if it materially adversely affects the provisions of the Master Indenture concerning the conditions precedent to a Person becoming a Member, the conditions precedent to cessation of status as a Member, the maintenance of the Obligated Group's Property free and clear of Liens other than Permitted Encumbrances, the definition of Permitted Encumbrances or transactions with or transfers to Members and other entities without the written approval or consent of the holders of not less than 51 % in aggregate principal amount of the Obligations of each series affected thereby.

RIGHT TO CONSENT

Each Member shall have the right to agree in any Related Bond Indenture, Related Loan Document or Supplemental Master Indenture pursuant to which an Obligation is issued that, so long as any Related Bonds remain outstanding under such Related Bond Indenture or such Obligation remains outstanding, any or all provisions of the Master Indenture which provide for approval, consent, direction or appointment by the Master Trustee, provide that anything must be satisfactory or acceptable to the Master Trustee, allow the Master Trustee to request anything or contain similar provisions granting discretion to the Master Trustee shall be deemed to also require or allow, as the case may be, the approval, consent, appointment, satisfaction, acceptance, request or like exercise of discretion by the Related Issuer, a Qualifying Obligation holder or the Related Bond Trustee, or any one thereof, and that all items required to be delivered or addressed to the Master Trustee under the Master Indenture shall also be delivered or addressed to the Related Issuer, a Qualifying Obligation holder and the Related Bond Trustee, or any one thereof, unless waived thereby.

SUMMARY OF CERTAIN PROVISIONS OF THE SUPPLEMENTAL MASTER INDENTURES

SERIES 2006A-1 SUPPLEMENTAL INDENTURE AND SERIES 2006B-1 SUPPLEMENTAL INDENTURE

The Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture each contain certain provisions relating to the issuance of the Series 2006A-1

Obligation and Series 2006B-1 Obligation, respectively. The Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture each also contain certain amendments to the Master Indenture. The Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture each amend and restate the definitions of "Income Available for Debt Service" and "Projected Rate" (See "DEFINITIONS OF CERTAIN TERMS" herein) as follows:

"Income Available for Debt Service" means, for any period, the excess of Revenues over Expenses of the Person or group of Persons involved; provided, however, that no determination thereof shall take into account (i) any gain or loss resulting from the extinguishment of Indebtedness, (ii) any gain or loss resulting from the sale, exchange or other disposition of capital assets not in the ordinary course of business, (iii) any unrealized change in value resulting from an Interest Rate Agreement, (iv) any unrealized gain or loss from investments, and (v) unrealized gains or losses from transfers of assets between any Member and any other Member or any Member and any Affiliate.

"Projected Rate" means, as designated at the time of each calculation by the Obligated Group Agent, either of the following:

(i)(A) if the interest on Indebtedness (or the Related Bonds) with respect to which the Projected Rate is being calculated is entitled to the exemption from federal income tax afforded by Section 103(a) of the Code or any successor thereto, the average of the rates determined pursuant to the BMA Index published for the twelve consecutive months before the date of the calculation in question and (B) if the interest on the Indebtedness (or the Related Bonds) with respect to which the Projected Rate is being calculated is not entitled to the exemption from federal income tax afforded by Section 103(a) of the Code or any successor thereto, the average One Month LIBOR Rate published for the twelve consecutive months before the date of the calculation in question; or

(ii) the projected yield at par of a comparable obligation as set forth in the report of a Consultant (which Consultant and report including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee). Such report shall state that in determining the Projected Rate such Consultant reviewed the yield evaluations at par of not less than three obligations (or such lesser number as the Consultant shall deem appropriate, but in no event less than one) selected by such Consultant, the interest on which is entitled to the exemption from federal income tax afforded by Section 103(a) of the Code or any successor thereto (or, if it is not expected that it will be reasonably possible to issue such tax-exempt obligations, or if the interest on the Indebtedness (or the Related Bonds) for which the Projected Rate is being calculated is not entitled to such exemption, then obligations the interest on which is subject to federal income taxation) which obligations such Consultant states in its report are reasonable comparators to utilize in developing such Projected Rate and which obligations: (i) were outstanding on a date selected by the Consultant which date so selected occurred during the 90-day period preceding the date of the calculation utilizing the Projected Rate in question, (ii) to the extent practicable, are obligations of Persons engaged in operations similar to those of the Obligated Group and having a credit rating similar to that of the Obligated Group, (iii) are not entitled to the benefits of any credit

enhancement, including without limitation any letter or line of credit, guaranty or insurance policy; provided, however, if the Indebtedness (or the Related Bonds) with respect to which such Projected Rate is being developed is Put Indebtedness which is supported by credit enhancement, then the obligation selected shall have comparable credit enhancement, and (iv) to the extent practicable, have a remaining term and amortization schedule substantially the same as the obligation with respect to which such Projected Rate is being developed.

The Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture each add the following definitions:

"BMA Index" means on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Bond Market Association ("BMA") or any person acting in cooperation with or under the sponsorship of BMA and effective from such date.

"Interest Rate Agreement" shall mean an interest rate exchange, hedge or similar agreement, expressly identified in an Officer's Certificate of the Obligated Group Agent delivered to the Master Trustee as being entered into in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement may include, without limitation, an Interest Rate Swap Obligation, a forward or futures contract or an option (e.g. a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

"One Month LIBOR Rate" means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

The Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture each add a new Article XI to the Master Indenture regarding substitution of obligations, as follows:

"ARTICLE XI.

SUBSTITUTION AND SURRENDER OF OBLIGATIONS; DELIVERY OF SUBSTITUTE OBLIGATIONS

Section 1101. Substitution of Obligations. All Obligations issued pursuant to this Indenture shall, upon the request of the Corporation and the satisfaction of all terms and conditions set forth in this Article, be substituted with an original replacement obligation or obligations or similar obligation issued by any Member of the Obligated Group (the "Substitute Obligation") under and pursuant to and secured by a master trust indenture (the "Replacement Master

Indenture") executed by all then current Members of the Obligated Group and any other entities which are parties to and obligated with respect to indebtedness issued under such Replacement Master Indenture (collectively, the "New Group") and an independent corporate trustee (the "New Trustee") meeting the eligibility requirements of the Master Trustee as set forth in Article VI hereof, which Substitute Obligations have been duly authenticated by the New Trustee, upon receipt by the Master Trustee of the following:

- (a) an Opinion of Bond Counsel addressed to the Master Trustee that the surrender of the Obligations and the acceptance by each related Bond Trustee and each other holder of the Substitute Obligations will not adversely affect the validity of the Related Bonds or any exemption for the purposes of federal income taxation to which interest on the Obligations or any Related Bonds would otherwise be entitled;

- (b) an executed counterpart of the Replacement Master Indenture;

- (c) an opinion of counsel to the Member of the Obligated Group addressed to the Master Trustee to the effect that:

- (i) the Replacement Master Indenture has been duly authorized, executed and delivered by each member of the New Group, each Substitute Obligation has been duly authorized, executed and delivered by a Member of the Obligated Group and each of the Replacement Master Indenture and each Substitute Obligation is a legal, valid and binding obligation of each member of the New Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity;

- (ii) all requirements and conditions to the issuance of the Substitute Obligations set forth in the Replacement Master Indenture have been complied with and satisfied; and

- (iii) registration of the Substitute Obligations under the Securities Act of 1933, as amended, is not required or, if such registration is required, the New Group has complied with all applicable provisions of said Act;

- (d) a certificate of the Obligated Group Agent is delivered to the Master Trustee stating that the New Group, considered as a pro forma consolidated or combined group for purposes of this Indenture, with the elimination of material inter-company balances and transactions, would, after giving effect to such Substitute Obligations and assuming that the New Group constituted the Obligated Group under this Indenture and that

the Substitute Obligations were issued under this Indenture, would meet the conditions described in Section 415(A) hereof for the incurrence of Additional Indebtedness;

(e) the Replacement Master Indenture containing (i) the agreement of each member of the New Group (A) to become a member of the New Group and thereby to become subject to compliance with all provisions of the Replacement Master Indenture and (B) unconditionally and irrevocably (subject to the right of each member to cease its status as a member of the New Group pursuant to the terms and conditions of the Replacement Master Indenture) to jointly and severally make payments upon each note and obligations, including the Substitute Obligations, issued under the Replacement Master Indenture at the times and in the amounts provided in each such note or obligation, and (ii) representations and warranties of the members of the New Group no less restrictive than those set forth in this Indenture (but with such deviations as are acceptable to the Master Trustee); and

(f)

(i) the Replacement Master Indenture containing terms, covenants and provisions no less restrictive than those contained in Sections 401 through 418, 422, 423, 501 through 513, and 701 through 702, of this Indenture, except for (A) such differences as in the judgment of the Master Trustee are not to the prejudice of the holders of the Obligations and (B) such other differences as the Master Trustee shall determine, grant to or confer upon the New Trustee, for the benefit of the holders of the obligations, including the Substitute Obligations, issued under the Replacement Master Indenture, any additional rights, remedies, powers or authority to add to the covenants of the New Group or assign and pledge additional revenues, properties and collateral under the Replacement Master Indenture for the benefit of such holders; or

(ii) written confirmation from each rating service then rating any Outstanding Related Bonds of any Member of the Obligated Group that, upon consummation of the proposed transactions, the ratings on such Related Bonds (without regard to any credit enhancement of the Related Bonds) will not be lower as a result of the entry in the Replacement Master Indenture and the issuance of the Substitute Obligations; provided, however, that if, prior to the consummation of the proposed transactions, any such Outstanding Related Bonds are not then rated by any rating service, such a rating shall be obtained, which rating, as evidenced by the written confirmation of such rating service, will not be lower as a result of the entry into the Replacement Master Indenture and the issuance of the Substitute Obligations; and

(g) such other opinions and certificates as the Master Trustee may reasonably require, together with such reasonable indemnities as the Master Trustee may request.

Section 1102. Notice to Obligation holders. The Master Trustee shall, within five (5) days after receipt of the items set forth in Section 1101 hereof, mail to all holders of Obligations, as the names and addresses of such holders appear upon the register or registers maintained pursuant to Sections 205 through 207 hereof, notice that the requirements of Section 1101 hereof have been satisfied and that all Obligations issued hereunder have been replaced with the Substitute Obligations, and directing such holders of the Obligations to surrender all Obligations to the Master Trustee for cancellation in accordance with Section 1103 hereof.

Section 1103. Surrender of Obligations; Delivery of Substitute Obligations. Each holder of Obligations shall surrender its Obligations to the Master Trustee, at the Principal Office of the Master Trustee, within ten (10) days of receipt from the Master Trustee of the notice required by Section 1102 hereof. Upon receipt by the Master Trustee of such Obligations, the Master Trustee shall, within five (5) days of such receipt, deliver the Substitute Obligations to such holders.

(End of Article XI)"

The Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture each amend the Master Indenture by taking into consideration an Interest Rate Agreement for purposes of Debt Service Coverage. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Calculation of Debt Service and Debt Service Coverage" herein. The Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture each amend the Master Indenture as follows:

"Anything herein to the contrary notwithstanding, any portion of any Indebtedness of any Member of the Obligated Group for which an Interest Rate Agreement has been obtained by such Member of the Obligated Group shall be deemed to bear interest for the period of time that such Interest Rate Agreement is in effect at a net rate which takes into account the interest payments made by such Member of the Obligated Group on such Indebtedness and the payments made or received by such Member of the Obligated Group on such Interest Rate Agreement; provided that the long-term credit rating of the provider of such Interest Rate Agreement (or any guarantor thereof) is in one of the two highest rating categories of any rating agency (without regard to any refinements of gradation of rating category by numerical modifier or otherwise) or is at least as high as that of the Obligated Group. In addition, so long as any Indebtedness is deemed to bear interest at a rate taking into account an Interest Rate Agreement, any payments made by an Member of the Obligated Group on such Interest Rate Agreement shall be excluded from expenses and any payments received by an

Member of the Obligated Group on such Interest Rate Agreement shall be excluded from revenues, in each case, for all purposes of the Indenture."

Upon the issuance of the Bonds, the holders of the Bonds and the holders of the Series 2006A-1 Obligation and the Series 2006B-1 Obligation shall be deemed to have consented to the amendments contained in the Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture by their acceptance thereof. Under the Master Indenture, the amendments provided for in the Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture shall become effective with the consent of the holders of not less than fifty-one percent (51%) in aggregate principal amount of Outstanding Obligations. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – SUPPLEMENTAL MASTER INDENTURES" herein. The amendments provided for in The Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture will therefore be effective upon the issuance of the Bonds.

SERIES 2006A-2 SUPPLEMENTAL INDENTURE AND SERIES 2006B-2 SUPPLEMENTAL INDENTURE

The Series 2006A-2 Supplemental Indenture and the Series 2006B-2 Supplemental Indenture each contain certain provisions relating to the issuance of the Series 2006A-2 Obligation and the Series 2006B-2 Obligation, respectively. **Upon the issuance of the Bonds, the holder of the Series 2006A-2 Obligation and the Series 2006B-2 Obligation shall be deemed to have consented to the amendments contained in the Series 2006A-1 Supplemental Indenture and the Series 2006B-1 Supplemental Indenture by its acceptance thereof.**

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS

The following is a summary of certain provisions of the Taxable Loan Agreement and the Tax-Exempt Loan Agreement. The provisions of each of the Loan Agreements are substantially similar unless stated otherwise below.

Under the Loan Agreements, the Authority will loan to the Hospital the proceeds of the Bonds for the purpose of (i) financing or reimbursing certain costs of constructing, acquiring, renovating or equipping certain health facility property to be used by the Hospital; (ii) financing certain costs of issuance in connection therewith; (iii) paying capitalized interest on the Bonds during the construction period for the Project; and (iv) securing the Bonds by a pledge and assignment to the Bond Trustee under the Loan Agreements.

Under the Loan Agreements the Authority agrees to loan to the Hospital the entire proceeds of the series of Bonds received by or on behalf of the Authority upon the original issuance by the Authority of such Bonds. The proceeds of the Tax-Exempt Bonds shall be used to purchase the Series 2006A-1 Obligation. The proceeds of the Taxable Bonds shall be used to purchase the Series 2006B-1 Obligation. The proceeds of each respective series of Bonds (and therefore the respective Series 2006 Loan) shall be deemed to include the discount, if any, or other amount by which the amount received by or on behalf of the Authority on the original sale of any such Bonds to the original purchasers is less than the principal amount of such Bonds.

The obligation of the Authority to lend such proceeds shall be discharged, and the obligation of the Hospital hereunder shall become effective, when such proceeds are received by or on behalf of the Authority from the original purchasers.

The Series 2006A-1 Obligation and the Series 2006B-1 Obligation shall each be in the same aggregate principal amount, have the same maturity dates, be subject to the same redemption provision, interest payment and principal payment provision as the series of Bonds it secures. Neither Series 2006 Loan shall be subject to prepayment except to the extent and upon the terms that the series of Bonds, the proceeds of which were used to make such Series 2006 Loan, are subject to prepayment. In the event the Hospital prepays either Series 2006 Loan or any portion thereof in accordance with the provisions of the Master Indenture, the proceeds of such prepayment shall be applied, as provided in the applicable Bond Indenture.

Under each Loan Agreement, all of the Authority's right, title and interest in and to the Series 2006A-1 Obligation and the Series 2006B-1 Obligation issued by the Hospital as security for the Tax-Exempt Bonds and the Taxable Bonds, respectively, and all payments thereunder, are to be pledged and assigned by the Authority to the applicable Bond Trustee as security pursuant to the applicable Bond Indenture. The Hospital shall pay or cause to be paid to the applicable Bond Trustee or the applicable Paying Agent at its corporate trust office all payments on the Series 2006A-1 Obligation, the Series 2006B-1 Obligation and other payments pursuant to the applicable Loan Agreement. The Series 2006A-1 Obligation and the Series 2006B-1 Obligation to be purchased by the Authority shall (i) be in fully registered form as to both principal and interest; (ii) upon issuance and delivery to the Authority, be immediately pledged and assigned by the Authority to, and registered in the name of, the applicable Bond Trustee; (iii) be nontransferable except as required to effect the assignment to the applicable Bond Trustee or any successor Bond Trustee contained in the applicable Bond Indenture, or except in the case of the acceleration of the maturity of such Series 2006A-1 Obligation and the Series 2006 B-1 Obligation under the Master Indenture; and (iv) be appropriately marked to indicate clearly the restrictions on the transfer thereof imposed by the applicable Loan Agreement.

The amounts, maturities, interest rates, prepayment provisions and other terms of the Series 2006A-1 Obligation and the Series 2006B-1 Obligation delivered under the applicable Loan Agreement shall conform to the terms and provisions of the related series of Bonds. In case of an error in such conformity, the terms of such series of Bonds shall prevail, and upon delivery of an appropriate certificate to that effect from the Authority or the applicable Bond Trustee to the Hospital and the Master Trustee, the Hospital shall prepare and execute, and the Master Trustee shall authenticate, a new, revised Series 2006A-1 Obligation or Series 2006B-1 Obligation, as applicable, conforming to the terms and provisions of the related series of Bonds, such that at all times payments due thereunder shall be equal to and payable at the same times as, the principal of, premium, if any, and interest on such Bonds.

In addition, each Loan Agreement contains covenants of the Hospital relating to indemnification of the Authority and the Bond Trustee, to the application of the proceeds of the sale of the Bonds, and the use of its property. The Tax-Exempt Loan Agreement also contains covenants of the Hospital relating to its tax-exempt status.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURES

The following summarizes certain provisions of the Tax-Exempt Bond Indenture and the Taxable Bond Indenture. The provisions of each of the Bond Indentures are substantially similar unless stated otherwise.

PLEDGE AND ASSIGNMENT

Under each Bond Indenture, the Authority pledges to the Bond Trustee all of its right, title and interest in and to the applicable Loan Agreement, subject to its right to indemnification and payment of administrative expenses; and the Authority further pledges to the Bond Trustee all funds and accounts established under the applicable Bond Indenture (other than the Purchase Fund and the Rebate Fund created pursuant to the Tax-Exempt Bond Indenture), the applicable Series 2006 Supplemental Indentures, the applicable Obligation, and all security pledged pursuant to the Master Indenture to secure the payment of the Bonds and the performance and observance of the Authority's covenants under the Bond Indentures.

REVENUE FUND

The Bond Trustee shall establish a Revenue Fund pursuant to each Bond Indenture into which it shall deposit all amounts payable pursuant to the applicable Loan Agreement (or any payments which are received from the Master Trustee in respect of the applicable Series 2006 Obligation or any Obligations delivered by the Hospital as additional security under the applicable Bond Indenture and credited against the applicable Loan Agreement payments), and any other amounts required or permitted to be deposited therein pursuant to the provisions of the applicable Bond Indenture. Moneys so deposited into the Revenue Fund shall be applied as specified in the applicable Bond Indenture.

Neither the Authority, the Hospital, nor any Member shall have any interest in either Revenue Fund or the moneys or Investment Securities therein, all of which shall be held in trust by the applicable Bond Trustee for the sole benefit of the holders of the applicable series of Bonds, and to the extent of amounts necessary to reimburse the Credit Enhancer for draws on the applicable Credit Facility, the Credit Enhancer.

Prior to and including the Mode Adjustment Date on which the Bonds of either series are converted to the Fixed Mode, if a Credit Facility is in effect with respect to such Bonds, all payments of principal and interest on such Bonds shall be made from Eligible Moneys. The applicable Bond Trustee will draw amounts under the applicable Credit Facility, if then in effect, at such times and pursuant to draw requests submitted at such times so as to assure that Eligible Moneys will be available to make when due all payments of principal of, redemption price of and interest on (including the interest component of the Purchase Price of) such Bonds on and prior to the Conversion Date. With respect to the payment of regularly scheduled interest or the interest component of Purchase Price on Bonds of either series, while such payment is secured by a Liquidity Facility or Credit Facility that fails to cover the interest portion of the Purchase Price in the amount otherwise required by the applicable Indenture, the applicable Bond Trustee is hereby instructed to draw amounts under the applicable Credit Facility on the first Business Day of each month in an amount equal to interest accrued on such Bonds during the preceding

month for deposit to the appropriate account of the Bond Fund pursuant to the applicable Bond Indenture pending application to pay such interest.

BOND FUND

Each Paying Agent shall establish and maintain a Bond Fund pursuant to each Bond Indenture. The moneys on deposit in each Bond Fund shall be applied as follows:

- (i) to the payment of interest, when due, on all Outstanding Bonds, including any accrued interest due in connection with purchases or redemptions of Bonds pursuant to the terms of the applicable Bond Indenture;
- (ii) to the payment, when due, of the principal of Bonds then payable at Maturity (but only upon surrender of such Bonds), subject to reduction by the principal amount of Bonds purchased by the Hospital and surrendered to the Bond Registrar for cancellation or purchased for cancellation by the Bond Trustee pursuant to the applicable Bond Indenture.

Each Paying Agent will establish and maintain a separate and segregated Account in each Bond Fund, hereinafter called the "LOC Interest Account" All proceeds of interest drawings made by the applicable Bond Trustee under the applicable Credit Facility relating to a series of Bonds, received in connection with the payment of interest on or the acceleration of the related series of Bonds prior to maturity shall be deposited in the applicable LOC Interest Account. If a Credit Facility is then in effect with respect to the Bonds of either series, any funds remaining on deposit in the Bond Fund relating to such Bonds (exclusive of the LOC Interest Account) on any date on which a demand is made on the related Credit Facility after payment (or deposit in the LOC Interest Account relating to such Bonds of an amount sufficient to pay) in full of all interest accrued on such Bonds on such date will be transferred by the applicable Paying Agent, upon receipt of written instructions from the applicable Credit Enhancer for receipt by such Credit Enhancer in immediately available funds on such date in the amount necessary to reimburse such Credit Enhancer for the interest portion of the draw on the Credit Facility relating to such Bonds on such date and the amount of any other unreimbursed drawings for the payment of interest.

Each Paying Agent will establish and maintain a separate and segregated Account in each Bond Fund, hereinafter called the "LOC Principal Account." All proceeds of drafts drawn under the applicable Credit Facility relating to a series of Bonds made by the applicable Bond Trustee to pay the principal of such Bonds at maturity or upon acceleration (hereinafter sometimes referred to as a "Principal Payment Date") shall be deposited in the LOC Principal Account relating to such series of Bonds. If the Credit Facility is in effect with respect to the Bonds of either series and there are any funds remaining in the Bond Fund relating to such Bonds (exclusive of the LOC Principal Account) on any Principal Payment Date after payment (or deposit in the LOC Principal Account relating to such Bonds of an amount sufficient to pay) in full of all interest and principal due on such Bonds on such date, there shall be transferred by the Paying Agent, upon receipt of written instructions from the applicable Credit Enhancer, for receipt by such Credit Enhancer in immediately available funds on such Principal Payment Date,

an amount not to exceed the amount necessary to reimburse such Credit Enhancer for the principal portion of the draw on the Credit Facility relating to such Bonds on such date and the amount of any other unreimbursed drawings for the payment of principal.

Neither the Authority, the Hospital nor any Member shall have any interest in either Bond Fund, including the LOC Interest Account or the LOC Principal Account therein, or the moneys or Investment Securities therein, all of which shall be held in trust by the applicable Paying Agent for the sole benefit of the holders of the Bonds to which such Credit Facility relates and, to the extent of amounts necessary to reimburse the Credit Enhancer for draws on the applicable Credit Facility, the Credit Enhancer.

REDEMPTION FUND

Each Paying Agent shall establish a Redemption Fund pursuant to each Bond Indenture into which it shall deposit such amounts as are required or permitted to be deposited therein pursuant to the provisions of the applicable Bond Indenture. Moneys in the Redemption Fund shall be applied to the optional, mandatory or extraordinary redemption of Bonds of the applicable series pursuant to the applicable Bond Indenture.

Each Paying Agent shall also establish a separate account within the Redemption Fund, hereinafter called the "LOC Redemption Account." For so long as the Credit Facility with respect to a series of Bonds is in effect, all proceeds of such Credit Facility drawn by the applicable Bond Trustee to make timely redemption payments other than upon maturity or acceleration shall be deposited in the applicable LOC Redemption Account and payments of the redemption price (including premium, to the extent permitted by the Credit Facility then in effect) of such Bonds shall be made, to the extent available, from Eligible Moneys on deposit in the applicable LOC Redemption Account.

In the event of (i) prepayment by or on behalf of the Hospital of amounts payable on the Series 2006A-1 Obligation or the Series 2006B-1 Obligation, (ii) receipt by the Bond Trustee of condemnation proceeds or insurance proceeds for purposes of redeeming Bonds of either series or (iii) deposit with the Paying Agent by the Hospital or the Authority of moneys from any other source for redeeming Bonds of either series, all such funds except as otherwise provided in the Bond Indentures shall be deposited in the Redemption Fund. Moneys on deposit in either Redemption Fund (other than the LOC Redemption Accounts) shall be used first to make up any deficiencies existing in the related Bond Fund and second for the purchase or redemption of related Bonds in accordance with the applicable Bond Indenture.

For so long as the Credit Facility is in effect with respect to a series of Bonds, on any date on which Bonds are redeemed from amounts on deposit in the LOC Redemption Account of the Redemption Fund relating to such series of Bonds after payment (or deposit in the LOC Redemption Account of an amount sufficient to pay) in full of the redemption price of all such Bonds redeemed on such date, any funds remaining on deposit in such Redemption Fund (exclusive of the LOC Redemption Account) shall be transferred by the applicable Paying Agent, upon receipt of written instructions from the applicable Credit Enhancer, to such Credit Enhancer for receipt in immediately available funds on such date, in the amount necessary to reimburse the

Credit Enhancer for the draw made on the Credit Facility relating to such series of Bonds on such date to pay such redemption price.

APPLICATION OF MONEYS TO PAY BONDS; DRAWS UNDER CREDIT FACILITY

The foregoing paragraphs notwithstanding, at all times while a Credit Facility is in effect with respect to a series of the Bonds that permits claims or draws for the payment of scheduled interest and principal, the Paying Agent with respect to such Bonds will pay when due the principal of and interest on (except as otherwise provided by the applicable Bond Indenture) such series of Bonds whether at maturity, upon an Interest Payment Date, upon redemption or acceleration or otherwise from the following sources, in the order listed:

- (i) Moneys drawn under the applicable Credit Facility by the applicable Bond Trustee if the Credit Facility securing such series of Bonds is then in effect;
- (ii) Eligible Moneys on deposit in the LOC Account in the applicable Bond Fund and applicable Redemption Fund;
- (iii) Any other Eligible Moneys; and
- (iv) Other moneys paid to the applicable Paying Agent by the Hospital.

Notwithstanding the foregoing, the Bond Trustee shall not draw moneys under the Credit Facility to pay principal or interest on Bank Bonds.

Each Paying Agent shall maintain a record of the total amount from time to time on deposit in all accounts of each of the funds which constitute deposits therein from moneys of the Hospital and the date of each such deposit, such amount being hereinafter sometimes referred to as the "Corporate Deposit" in the respective Funds. When the Bonds of either series have been converted to the Fixed Mode, the separate accounts in the respective Funds and the Purchase Fund, other than those in the Rebate Fund established pursuant to the Tax-Exempt Bond Indenture, shall be terminated and all moneys on deposit in such accounts shall be held by the applicable Paying Agent in the respective Funds of the applicable Bond Indenture without segregation or separate identification except for the record required to be maintained by the Paying Agent of the amount of the Corporate Deposit.

Each Bond Trustee will draw or claim moneys under the applicable Credit Facility at all times when in effect in accordance with the terms thereof and the amounts available thereunder to make timely payments of: (i) principal on the series of Bonds such Credit Facility secures by causing immediately available funds to be provided to the Paying Agent of such series of Bonds for deposit in the LOC Principal Account in the Bond Fund the moneys required by the applicable Bond Indenture; (ii) interest on the Bonds of such series by causing immediately available funds to be provided to such Paying Agent for deposit in the LOC Interest Account in the Bond Fund the moneys required by the applicable Bond Indenture; and (iii) the redemption price of Bonds of such series to be redeemed by causing immediately available funds to be

provided to such Paying Agent for deposit in the LOC Redemption Account in the Redemption Fund the moneys required by the applicable Bond Indenture.

In no event shall any moneys other than Eligible Moneys be used if the Credit Facility is in effect to pay the principal or interest on the Bonds of either series and if Eligible Moneys are available for such payment or can be drawn under the applicable Credit Facility and applied to make such payment.

Notwithstanding the foregoing, neither Paying Agent shall have any obligation to expend its own funds to pay principal, premium or interest on the Bonds of either series and, in connection with any such payment, shall have no obligation to make such payment in any type of funds other than that received by such Paying Agent for such purpose as aforesaid.

PROJECT FUND

There shall be established pursuant to each Bond Indenture a special fund to be known as the "Project Fund" which shall be held in trust by the Bond Trustee. Separate accounts of each Project Fund shall be established and designated as the "Earnings Account" and the "Project Account." Deposits shall be made in and withdrawals made from the accounts and subaccounts of each Project Fund as described in the applicable Bond Indenture.

PURCHASE FUND

There shall be maintained with each Tender Agent on behalf of each Bond Trustee a separate fund, hereinafter called the "Purchase Fund." Upon receipt of payment representing the Purchase Price from the sources described in each Bond Indenture, each Bond Trustee shall deposit such money in the applicable Purchase Fund for application to the applicable account of such Purchase Price of the Bonds of each series or reimbursement of the Bank, as applicable.

REBATE FUND

There will be created and established with the Tax-Exempt Bond Trustee under the Tax-Exempt Bond Indenture an additional trust fund designated as the "Rebate Fund." Pursuant to the Rebate Memorandum, the Hospital is required to make certain computations and make certain payments to the United States of America in order to comply with its obligations under Section 148(f) of the Code. The Hospital is required to provide copies of such computations and evidence of such payment to the Tax-Exempt Bond Trustee on or before the respective payment dates specified in the Rebate Memorandum. If the Tax-Exempt Bond Trustee does not receive copies of such computations and evidence of such payment on or prior to the respective payment date set forth in the Rebate Memorandum, the Tax-Exempt Bond Trustee shall request copies of such computations and evidence of payment immediately. Records of the computations and payments required under the Rebate Memorandum must be retained by the Tax-Exempt Bond Trustee until six (6) years after the Tax-Exempt Bonds are no longer outstanding.

If the Hospital elects to make a deposit to the Rebate Fund, the Tax-Exempt Bond Trustee shall accept such amounts from time to time and invest those amounts in accordance with the instructions of the Hospital. Upon written instructions from the Hospital, the Tax-

Exempt Bond Trustee shall disburse funds from the Rebate Fund to make payments required under the Rebate Memorandum or transfer excess funds to the Hospital.

EVENTS OF DEFAULT

Each of the following shall be an Event of Default under each of the Bond Indentures:

- (i) if payment of any installment of interest on any Bond issued pursuant to such Bond Indenture is not made when it becomes due and payable; or
- (ii) if payment of the principal, redemption price or Purchase Price of any Bond issued pursuant to such Bond Indenture is not made when it becomes due and payable at maturity or upon call for redemption or tender or otherwise; or
- (iii) if there is a default under the Loan Agreement relating to the series of Bonds issued pursuant to such Bond Indenture and such default gives the Authority the right to terminate such Loan Agreement; or
- (iv) if the Authority for any reason is rendered incapable of fulfilling its obligations under such Bond Indenture; or
- (v) if the Authority defaults in the due and punctual performance of any other covenant in the Bonds issued pursuant to such Bond Indenture or in such Bond Indenture and such default continues for 30 days after written notice requiring the same to be remedied shall have been given to the Authority and the Hospital by the Bond Trustee, which may give such notice in its discretion and shall give such notice at the written request of the holders of not less than 25% in principal amount of such Bonds then Outstanding; provided, however, that if such performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30 day period, no Event of Default shall be deemed to have occurred or exist if and so long as the Authority or the Hospital shall commence such performance within such 30 day period and shall diligently and continuously prosecute the same to completion; or
- (vi) if there is an Event of Default under the provisions of the Master Indenture; or
- (vii) if there is an Event of Default under the Credit Documents or the Bank Agreements and a demand by the Credit Enhancer or the Bank for acceleration; or

- (viii) if the applicable Bond Trustee receives a notice of non-reinstatement of interest under the Credit Facility relating to the Bonds issued pursuant to such Bond Indenture.

The applicable Bond Trustee shall give Immediate Notice to the Authority, the Credit Enhancer, the Bank, the applicable Paying Agent, the applicable Tender Agent, the applicable Bond Registrar, the Remarketing Agent and the Hospital of the occurrence of any Event of Default of which it has notice or knowledge as soon as practicable. In addition, the applicable Bond Trustee shall notify the Master Trustee of such occurrence if it constitutes an "Event of Default" under the Master Indenture or, upon the giving of notice and with the passage of time thereafter, it will constitute an "Event of Default" under the Master Indenture; provided, however, that no such notice shall be given to the Master Trustee unless directed by the Credit Enhancer or the holders of at least 25% in aggregate principal amount of all Outstanding Bonds issued pursuant to such Bond Indenture.

REMEDIES, ACCELERATION AND ANNULMENT THEREOF

Subject to the rights of the Credit Enhancer as set forth hereinafter, upon the occurrence of any Event of Default under a Bond Indenture, the applicable Bond Trustee may pursue any available remedy including a suit at law or in equity to enforce the payment of the principal of and premium, if any, and interest on the Bonds Outstanding issued pursuant to such Bond Indenture and may request payment under the Credit Facility securing such Bonds if then in effect.

Upon the occurrence of any event of default described in (i), (ii), (vii), or (viii), under "EVENTS OF DEFAULT" above, the Bond Trustee shall, by Immediate Notice to the holders of all affected Bonds, declare the principal of all such Bonds then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein. Interest shall cease to accrue on the date of such declaration.

Subject to the rights of the Credit Enhancer as set forth below, if any Event of Default has occurred and is continuing, the Bond Trustee may, and at written direction of the holders of 25% in principal amount of the affected Bonds then Outstanding, shall, by notice in writing to the Authority, declare the principal of all such Bonds then Outstanding to be immediately due and payable, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein; provided, however, that no such declaration shall be made, if the Hospital cures such Event of Default prior to the date of the declaration.

If after the principal of such Bonds has been so declared to be due and payable, all arrears of interest upon such Bonds (and interest on overdue installments of interest at the maximum rate permitted by law) are paid by the Authority, and the Authority also performs all other things in respect to which it may have been in default under the applicable Bond Indenture and pays the reasonable charges of the applicable Bond Trustee and the affected Bondholders, including reasonable attorney's fees, and, prior to the Conversion Date, the Credit Facility and the Liquidity Facility, if any, relating to such series of Bonds are reinstated in full, then, and in every

such case except that in which a declaration of acceleration of the Series 2006A-1 Obligation or the Series 2006B-1 Obligation, as applicable, has not been annulled pursuant to the terms of the Master Indenture, the applicable Bond Trustee may annul such declaration and its consequences and such annulment shall be binding upon the applicable Bond Trustee and upon all holders of affected Bonds; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon, provided, however, the applicable Bond Trustee shall not waive any Event of Default unless and until it has received written notice from the Bank and the Credit Enhancer, as applicable, that gave notice of nonreinstatement that the Liquidity Facility or the Credit Facility relating to such series of Bonds, as applicable, has been reinstated in full and such notice of nonreinstatement has been rescinded in writing.

Notwithstanding any other provision in the Bond Indentures, if a Credit Facility is in effect with respect to a series of the Bonds, the applicable Bond Trustee shall draw under the applicable Credit Facility, on the same day as such acceleration occurs in an amount equal to the amount available under such Credit Facility required in order to provide for the payment in full of the principal and interest on the Bonds of such series due or to become due by reason of such acceleration (excluding Bonds of such series owned by the Hospital or any other member of the Obligated Group) and shall immediately take such actions and give such notice as may be required to pay or redeem the Outstanding Bonds entitled to the benefits of the Credit Facility. Upon such payment in full of the drawing under the Credit Facility by the applicable Bond Trustee, such Bond Trustee shall, notwithstanding any other provisions of the Bond Indentures, (i) transfer or direct the Paying Agent in writing to transfer all excess moneys in any and all funds and accounts thereunder (except, with respect to the Tax-Exempt Bonds, the Rebate Fund) to the Credit Enhancer and (ii) exercise such remedies and take such actions, only in accordance with the written directions of the Credit Enhancer. Only if such draw is not paid in full in accordance with the terms of the Credit Facility may the Bond Trustee proceed to exercise any other or further remedies provided in the applicable Bond Indenture or otherwise.

ENTRY BY BOND TRUSTEE

Subject to the rights of the Credit Enhancer as set forth below, if any Event of Default has occurred and is continuing, the applicable Bond Trustee before or after declaring the principal of the affected Bonds immediately due and payable, (a) may enforce each and every right granted to the Authority under the applicable Loan Agreement, and (b) insofar as such right may be lawfully conferred upon the Bond Trustee, may, by its agents or attorneys, with or without process of law, enter upon and take and maintain possession of all or any part of the trust estate securing such Bonds, together with all records, documents, books, papers and accounts of the Authority relating thereto, and may, as the attorney in fact or agent of the Authority, being thereunto duly authorized or in its own name as Bond Trustee, hold, manage, and operate such trust estate and collect the amounts payable by reason of such operation. After paying the expenses of operation and maintenance, including such repairs, replacements, alterations, additions and improvements as it deems proper, the Bond Trustee shall apply the balance of the revenues as provided hereinafter.

LEGAL PROCEEDINGS BY BOND TRUSTEE

Subject to the rights of the Credit Enhancer as set forth below, if any Event of Default has occurred and is continuing, the applicable Bond Trustee in its discretion may, and upon the written request of the holders of 25% in principal amount of the affected Bonds then Outstanding and receipt of indemnity to its satisfaction shall, in its own name:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders of the affected Bonds, including the right to require the Authority to charge and collect rates, rentals and other charges adequate to carry out the terms of the applicable Bond Indenture and to require the Authority to carry out any other agreements with, or for the benefit of, the Holders of the affected Bonds and to perform its duties under the Act;

(b) bring suit upon the affected Bonds and/or the Series 2006A-1 Obligation and the Series 2006B-1 Obligation, as applicable;

(c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Holders of the affected Bonds; and

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the affected Bonds.

BONDHOLDERS MAY DIRECT PROCEEDINGS

Subject to the rights of the Credit Enhancer as set forth hereinafter, the holders of a majority in principal amount of the Bonds of either series then Outstanding shall have the right to direct the method and place of conducting all remedial proceedings by the applicable Bond Trustee, provided such directions shall not be otherwise than in accordance with law or the provisions of the applicable Bond Indenture, and that such Bond Trustee shall have the right to decline to follow any such direction which in the opinion of such Bond Trustee would be unjustly prejudicial to Holders of the affected Bonds not parties to such direction.

LIMITATIONS ON ACTIONS BY BONDHOLDERS

Subject to the rights of the Credit Enhancer as set forth hereinafter, no Bondholder shall have any right to pursue any remedy under either Bond Indenture unless (a) the applicable Bond Trustee shall have been given written notice of an Event of Default under such Bond Indenture, (b) the holders of at least 25% in principal amount of the affected Bonds then Outstanding shall have requested the applicable Bond Trustee, in writing, to exercise the powers granted under such Bond Indenture or to pursue such remedy in its or their name or names, (c) the applicable Bond Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and (d) the Bond Trustee shall have failed to comply with such request within a reasonable time.

APPLICATION OF MONEYS IN EVENT OF DEFAULT

(a) Subject to the provisions of the applicable Bond Indenture and provided that amounts drawn under the Liquidity Facility or the Credit Facility securing a series of Bonds, if

any, and any Eligible Moneys available therefore shall be applied solely to pay the principal of and interest on such Bonds (or only Purchase Price in case of the Liquidity Facility) and shall not be applied to pay any costs or expenses of collection or expenses, liabilities or advances of the applicable Bond Trustee, or to restore any deficiency in the Rebate Fund created pursuant to the Tax-Exempt Bond Indenture, all moneys received by the applicable Bond Trustee pursuant to any right given or action taken under the provisions of the applicable Bond Indenture shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by such Bond Trustee, and the creation of a reserve for anticipated fees, costs and expenses, be deposited in the Revenue Fund in the applicable Bond Indenture or in the case of proceeds of the Credit Facility, the LOC Principal Account and the LOC Interest Account of the Bond Fund in the applicable Bond Indenture, and together with all moneys in the Funds maintained by the Bond Trustee under the applicable Bond Indenture, shall be applied as follows:

(i) Unless the principal of all the Bonds issued pursuant to such Bond Indenture shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To eliminate any deficiency in the Rebate Fund created pursuant to the Tax-Exempt Bond Indenture; and

Second: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds issued pursuant to such Bond Indenture, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Third: To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds issued pursuant to such Bond Indenture which shall have become due (other than the Bonds called for redemption for the payment of which Moneys are held pursuant to the provisions of the applicable Bond Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the Bonds issued pursuant to such Bond Indenture due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege;

(ii) If the principal of all the Bonds issued pursuant to such Bond Indenture shall have become due or shall have been declared due and payable, all such moneys shall be applied to eliminate any deficiency in the Rebate Fund created pursuant to the Tax-Exempt Bond Indenture, and then to the payment of the principal and interest then due and unpaid upon the Bonds issued pursuant to such Bond Indenture, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bond issued pursuant to such Bond Indenture over any other Bond issued pursuant to such Bond Indenture, ratably, according to the amounts

due respectively for principal and interest, to the persons entitled thereto, without any discrimination or privilege; and

(iii) If the principal of all the Bonds issued pursuant to such Bond Indenture shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the applicable Bond Indenture, then, subject to the provisions outlined in paragraph (b) below, in the event that the principal of all the Bonds issued pursuant to such Bond Indenture shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a).

(b) Whenever moneys are to be applied by the Bond Trustee as set forth in paragraph (a) above, such Moneys shall be applied by it at such times, and from time to time, as the applicable Bond Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the applicable Bond Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The applicable Bond Trustee shall give notice of the deposit with it of any such moneys and of the fixing of any such date and of the Special Record Date in accordance with the provisions of the applicable Bond Indenture 10 days prior to the Special Record Date. The Paying Agent shall not be required to make payment to the holder of any unpaid Bond issued pursuant to such Bond Indenture until such Bond shall be presented to the Paying Agent for appropriate endorsement or for cancellation if fully paid.

(c) Whenever all Bonds issued pursuant to such Bond Indenture and interest thereon have been paid under the provisions outlined in this section and all expenses and charges of the applicable Bond Trustee, the applicable Paying Agent, the applicable Tender Agent and the applicable Bond Registrar have been paid, any balance remaining shall be paid to the Bank to pay any Bank Obligation, and to the Credit Enhancer to pay any Credit Obligation, with any remaining balance, thereafter, to the Hospital.

RIGHTS OF CREDIT ENHANCER CONTROLLING

Anything herein to the contrary notwithstanding, if a Credit Facility is in effect with respect to a series of Bonds and the Credit Enhancer is not in default of its obligation to make payments thereunder, the Credit Enhancer shall be deemed to be the owner of all such Bonds Outstanding, with the exclusive right to exercise or direct the exercise of remedies on behalf of the owners of such Bonds in accordance with each Bond Indenture following an Event of Default, and the principal of all such Bonds Outstanding may not be declared to be due and payable immediately without the prior written consent of the Credit Enhancer; provided, that following an Event of Default described in paragraph (vii) or (viii) such written consent of the Credit Enhancer shall not be required prior to acceleration.

AMENDMENTS AND SUPPLEMENTS

Without the consent of the holders of any Bonds, but upon consent of the Bank and/or the Credit Enhancer, if either or both are then providing a Liquidity Facility or Credit Facility with respect to a series of the Bonds and are then not in default under the Bank Agreements or Credit Documents, by a Supplemental Indenture authorized by a Certified Resolution of the Authority filed with the Bond Trustee, for one or more of the following purposes:

- (i) To add to the covenants of the Authority or to surrender any right or power conferred upon the Authority in either Bond Indenture; and
- (ii) To cure any ambiguity, to correct or supplement any defective (whether because of any inconsistency with any provision of the applicable Bond Indenture or otherwise) provision in either Bond Indenture which may be inconsistent with any other provision of the Bond Indentures, or to make any other revision, which cure, correction, supplement or revision shall not impair the security of the Bond Indentures, or materially adversely affect the Bondholders; and
- (iii) To add, delete or revise provisions required in connection with the issuance of an alternate Credit Facility or an alternate Liquidity Facility with respect to such Bonds; and
- (iv) To obtain, maintain or upgrade a rating on such Bonds;
- (v) To permit the use of a Book Entry System of such Bonds in lieu of certificates.

Each Bond Indenture may be amended from time to time by a Supplemental Indenture approved by the Bank and/or the Credit Enhancer, if either or both are then providing a Liquidity Facility or Credit Facility with respect to the Bonds issued pursuant to such Bond Indenture and are then not in default under the Bank Agreements or Credit Documents, and the holders of at least a majority in aggregate principal amount of such Bonds then Outstanding provided, that (a) no amendment shall be made which affects the rights of some but less than all the outstanding Bonds without the consent of the holders of a majority of such Bonds so affected, and (b) no amendment which alters the interest rates on any such Bonds, the maturities, interest payment dates or redemption provisions of any such Bonds, the article of the applicable Bond Indenture regarding amendments and supplements or the security provisions under the applicable Bond Indenture may be made without the consent of the holders of all outstanding Bonds adversely affected thereby.

AMENDMENTS, ETC., OF THE LOAN AGREEMENTS NOT REQUIRING CONSENT OF BONDHOLDERS

The Authority and the Bond Trustee shall, without the consent or notice to the Bondholders, but upon prior written consent of the Bank and/or the Credit Enhancer, if either or both are then providing a Liquidity Facility or Credit Facility with respect to the affected Bonds and are then not in default under the Bank Agreements or Credit Documents, consent to any amendment, change or modification of either Loan Agreement as may be required or otherwise permitted (i) by the provisions of the Loan Agreements or the Bond Indentures, (ii) for the purpose of curing any ambiguity, defect, inconsistent provision or omission in the Loan Agreements, which cure shall not impair the security hereof or materially adversely affect the Holders of the Bonds related to such Loan Agreement, or (iii) in connection with any other change therein which, in the judgment of the Bond Trustee, will not materially adversely affect the Bond Trustee or the holders.

AMENDMENTS, ETC., OF THE LOAN AGREEMENTS REQUIRING CONSENT OF BONDHOLDERS

Except for the amendments, changes or modifications as provided herein (See "Amendments, Etc., of the Loan Agreements Not Requiring Consent of Bondholders" above), neither the Authority nor the Bond Trustee shall consent to any other amendment, change or modification of either Loan Agreement without the written approval or consent of the holders of not less than a majority in aggregate principal amount then Outstanding and upon prior written consent of the Bank and/or the Credit Enhancer, if either or both are then providing a Liquidity Facility or Credit Facility with respect to such Bonds and are then not in default under the Bank Agreements or Credit Documents.

DEFEASANCE

When interest on, and principal or redemption price (as the case may be) of all Bonds of a series have been paid and all Bank Obligations, Credit Obligation and fees and expenses of the applicable Bond Trustee have been paid, or there shall have been deposited with such Bond Trustee an amount, evidenced by moneys or non-callable Government Obligations described in clause (a) of the definition thereof, the principal of and interest on which, when due, will provide sufficient moneys to fully pay the Bonds at the maturity date or date fixed for redemption thereof, as well as all other sums payable under the applicable Bond Indenture by the Hospital to the Bank and the Credit Enhancer, as verified by a firm of certified public accountants, the right, title and interest of such Bond Trustee shall thereupon cease and such Bond Trustee, on demand of the Authority, shall release the Bond Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such person, body or authority as may be entitled to receive the same all balances remaining in any funds under the Bond Indentures. At all times while a Credit Facility secures the Bonds of such series, all Moneys used to defease such Bonds and all moneys used to purchase Government Obligations described in Clause (i) of the definition thereof employed for such purpose shall constitute Eligible Moneys.

Notwithstanding anything in either Bond Indenture to the contrary, if any Bonds of a series are rated by any rating agency, such Bond Indenture shall not be released by reason of a deposit with the Bond Trustee of money or non-callable Government Obligations described in clause (i) of the definition thereof, as described above, unless such rating agency shall have confirmed in writing to the applicable Bond Trustee that its rating will not be withdrawn or lowered as the result of any such deposit.

DEPOSIT OF FUNDS FOR PAYMENT OF BONDS

If the Authority deposits with the applicable Bond Trustee moneys or non-callable Government Obligations described in clause (i) of the definition thereof sufficient to pay the principal or redemption price of any particular Bond or Bonds of a series becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on such Bond or Bonds shall cease to accrue on the due date and all liability of the Authority with respect to such Bond or Bonds shall likewise cease, except as provided in the applicable Bond Indenture; provided that, if a Credit Facility then secures such Bonds, any moneys and the moneys used to purchase Government Obligations described in clause (i) of the definition thereof used for such purposes shall constitute Eligible Moneys. Thereafter such Bond or Bonds shall be deemed not to be Outstanding hereunder and the holder or holders of such Bond or Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bond or Bonds, and the Bond Trustee shall hold such funds in trust for such holder or holders.

SUBSTITUTION OF OBLIGATIONS

Upon the satisfaction of certain conditions contained in the Master Indenture, the Master Trustee shall deliver to the applicable Bond Trustee Substitute Obligations (as defined in the Master Indenture) to replace the Series 2006A-1 Obligation and the Series 2006B-1 Obligation. In such event, the Bond Trustee shall surrender the Series 2006A-1 Obligation and the Series 2006B-1 Obligation to the Master Trustee in accordance with the Master Indenture. Upon satisfaction of such conditions, all references in the Bond Indentures and in the Loan Agreements to the Series 2006A-1 Obligation and the Series 2006B-1 Obligation shall be deemed to be references to the Substitute Obligations, all references to the Master Indenture shall be deemed to be references to the Replacement Master Indenture (as defined in the Master Indenture), all references to the Master Trustee shall be deemed to be references to the New Trustee (as defined in the Master Indenture), all references to the Obligated Group and the Members shall be deemed to be references to the New Group (as defined in the Master Indenture) and all references to the Supplemental Master Indentures shall be deemed to be references to the supplemental indenture pursuant to which the respective Substitute Obligations are issued.

APPENDIX D

FORM OF BOND COUNSEL OPINIONS

[FORM OF TAX-EXEMPT BOND COUNSEL OPINION]

July 13, 2006

Indiana Health and Educational Facility
Financing Authority
Indianapolis, Indiana

Fifth Third Securities, Inc.,
as Underwriter
Columbus, Ohio

Fifth Third Bank,
as Letter of Credit Bank
Cincinnati, Ohio

The Bank of New York Trust Company, N.A., as
Trustee
Indianapolis, Indiana

Union Hospital, Inc.
Terre Haute, Indiana

Re: Indiana Health and Educational Facility Financing Authority Variable Rate Demand Revenue Bonds, Series 2006A (Union Hospital, Inc. Project) issued in the aggregate principal amount of \$19,000,000 (the "Bonds") pursuant to an Indenture of Trust and Pledge dated as of July 1, 2006 (the "Bond Indenture"), between the Indiana Health and Educational Facility Financing Authority (the "Authority") and The Bank of New York Trust Company, N.A., as Trustee (the "Bond Trustee"), which Bond Indenture contains an assignment of certain of the Authority's rights under the Loan Agreement, dated as of July 1, 2006 (the "Loan Agreement"), between the Authority and Union Hospital, Inc. (the "Hospital"), the Series 2006A-1 Obligation of the Hospital (the "Series 2006A-1 Obligation") issued pursuant to a Master Trust Indenture dated as of October 1, 1993 (the "Master Indenture") between the Hospital and J.P. Morgan Trust Company, National Association, (formerly known as Bank One, Indianapolis, N.A.), as Master Trustee (the "Master Trustee"), as previously supplemented and amended and as supplemented and amended by a Supplemental Master Indenture No. 6, dated as of July 1, 2006 between the Hospital and the Master Trustee (the "Supplemental Indenture").

Ladies and Gentlemen:

We have examined a certified transcript of proceedings relating to (a) the creation and organization of the Authority; (b) the authorization, issuance and sale of the Bonds; (c) the authorization and execution of the Bond Indenture, the Loan Agreement, the Supplemental Indenture and the Series 2006A-1 Obligation; (d) an opinion of the Attorney General for the State of Indiana, counsel for the Authority; (e) an opinion of Wilkinson, Goeller, Modesitt, Wilkinson & Drummy LLP, Terre Haute, Indiana, counsel for the Hospital; (f) executed counterparts of the Loan Agreement, the Bond Indenture and the Supplemental Indenture; (g) a certificate of officers of the Authority, of even date herewith, regarding the execution of the Bonds and showing no litigation pending or threatened; (h) certificates of officers of the Bond Trustee regarding the execution of the Bond Indenture, authentication of the Bonds, the guarantee of the signatures on the Bonds and showing payment for and delivery of the Bonds; (i) a

letter from the Internal Revenue Service evidencing that the Hospital is exempt from taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as in effect on the date hereof (the "Code"); (j) the executed Series 2006A-1 Obligation; (k) certificates of the Hospital, of even date herewith; and (l) an executed Internal Revenue Service Form 8038.

We have also examined Indiana Code 5-1-16, as amended, and such other provisions of the constitution and laws of the State of Indiana (the "State") as we have deemed relevant and necessary as a basis for the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon representations and covenants of the Hospital and the Authority contained in the Loan Agreement and the Bond Indenture and in the certified transcript of proceedings and other certificates of officers furnished to us, including the tax covenants and representations of the Authority and the Hospital (the "Tax Covenants"), without undertaking to verify the same by independent investigation.

Based on the foregoing and our review of such other information, papers and documents as we believe necessary or advisable, we are of the opinion that:

1. The Loan Agreement has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery thereof by the Hospital, is a valid and binding agreement of the Authority enforceable against the Authority in accordance with its terms.

2. The Bond Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery thereof by the Bond Trustee, is a valid and binding agreement of the Authority enforceable against the Authority in accordance with its terms.

3. The Bonds have been duly authorized, executed and issued and are valid and binding limited obligations of the Authority enforceable in accordance with their terms.

4. Under existing laws, regulations, judicial decisions and rulings, the interest on the Bonds is exempt from income taxation in the State. This opinion relates only to the tax exemption of interest on the Bonds from State income taxes.

5. Under existing laws, regulations, judicial decisions and rulings, the interest on the Bonds is excludable from gross income pursuant to Section 103 of the Code for federal income tax purposes. This opinion relates only to the exclusion from gross income of interest on the Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Hospital and the Authority with the Tax Covenants. Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue.

The opinion expressed in paragraph 5 is expressly limited as set forth in this paragraph. If subsequent to the date hereof the interest mode (as set forth in the Bond Indenture) applicable to the Bonds is changed, we are not expressing an opinion herein on the effect such change shall have on the exclusion from gross income for federal income tax purposes of interest on the Bonds. As described in the Bond Indenture, a favorable opinion of bond counsel would be required in the event of any such change.

It is to be understood that the rights of the owners of the Bonds, the Authority, the Bond Trustee and the Hospital and the enforceability of the Bonds, the Bond Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is

to be understood that the rights of the owners of the Bonds, the Authority, the Bond Trustee and the Hospital and the enforceability of the Bonds, the Bond Indenture and the Loan Agreement may be subject to the valid exercise of the constitutional powers of the State and the United States of America.

Very truly yours,

[FORM OF TAXABLE BOND COUNSEL OPINION]

July 13, 2006

Indiana Health and Educational Facility
Financing Authority
Indianapolis, Indiana

Fifth Third Securities, Inc.,
as Underwriter
Columbus, Ohio

Fifth Third Bank,
as Letter of Credit Bank
Cincinnati, Ohio

The Bank of New York Trust Company, N.A., as
Trustee
Indianapolis, Indiana

Union Hospital, Inc.
Terre Haute, Indiana

Re: Indiana Health and Educational Facility Financing Authority Taxable Variable Rate Demand Revenue Bonds, Series 2006B (Union Hospital, Inc. Project) issued in the aggregate principal amount of \$13,000,000 (the "Bonds") pursuant to an Indenture of Trust and Pledge dated as of July 1, 2006 (the "Bond Indenture"), between the Indiana Health and Educational Facility Financing Authority (the "Authority") and The Bank of New York Trust Company, N.A., as Trustee (the "Bond Trustee"), which Bond Indenture contains an assignment of certain of the Authority's rights under the Loan Agreement, dated as of July 1, 2006 (the "Loan Agreement"), between the Authority and Union Hospital, Inc. (the "Hospital"), the Series 2006B-1 Obligation of the Hospital (the "Series 2006B-1 Obligation") issued pursuant to a Master Trust Indenture dated as of October 1, 1993 (the "Master Indenture") between the Hospital and J.P. Morgan Trust Company, National Association, (formerly known as Bank One, Indianapolis, N.A.), as Master Trustee (the "Master Trustee"), as previously supplemented and amended and as supplemented and amended by a Supplemental Master Indenture No. 8 dated as of July 1, 2006 between the Hospital and the Master Trustee (the "Supplemental Indenture").

Ladies and Gentlemen:

We have examined a certified transcript of proceedings relating to (a) the creation and organization of the Authority; (b) the authorization, issuance and sale of the Bonds; (c) the authorization and execution of the Bond Indenture, the Loan Agreement, the Supplemental Indenture and the Series 2006B-1 Obligation; (d) an opinion of the Attorney General for the State of Indiana, counsel for the Authority; (e) an opinion of Wilkinson, Goeller, Modesitt, Wilkinson & Drummy LLP, Terre Haute, Indiana, counsel for the Hospital; (f) executed counterparts of the Loan Agreement, the Bond Indenture and the Supplemental Indenture; (g) a certificate of officers of the Authority, of even date herewith, regarding the execution of the Bonds and showing no litigation pending or threatened; (h) certificates of officers of the Bond Trustee regarding the execution of the Bond Indenture, authentication of the Bonds, the guarantee of the signatures on the Bonds and showing payment for and delivery of the Bonds; (i) the executed Series 2006B-1 Obligation; and (j) certificates of the Hospital, of even date herewith.

We have also examined Indiana Code 5-1-16, as amended, and such other provisions of the constitution and laws of the State of Indiana (the "State") as we have deemed relevant and necessary as a basis for the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon representations and covenants of the Hospital and the Authority contained in the Loan Agreement and the Bond Indenture and in the certified transcript of proceedings and other certificates of officers furnished to us.

Based on the foregoing and our review of such other information, papers and documents as we believe necessary or advisable, we are of the opinion that:

1. The Loan Agreement has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery thereof by the Hospital, is a valid and binding agreement of the Authority enforceable against the Authority in accordance with its terms.

2. The Bond Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery thereof by the Bond Trustee, is a valid and binding agreement of the Authority enforceable against the Authority in accordance with its terms.

3. The Bonds have been duly authorized, executed and issued and are valid and binding limited obligations of the Authority enforceable in accordance with their terms.

4. Under existing laws, regulations, judicial decisions and rulings, the interest on the Bonds is exempt from income taxation in the State. This opinion relates only to the tax-exemption of interest on the Bonds from State income taxes.

It is to be understood that the rights of the owners of the Bonds, the Authority, the Bond Trustee and the Hospital and the enforceability of the Bonds, the Bond Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is to be understood that the rights of the owners of the Bonds, the Authority, the Bond Trustee and the Hospital and the enforceability of the Bonds, the Bond Indenture and the Loan Agreement may be subject to the valid exercise of the constitutional powers of the State and the United States of America.

Very truly yours,

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APPENDIX E

FIFTH THIRD BANK

Fifth Third Bank (the "Letter of Credit Bank"), is a state banking corporation organized under the laws of the State of Ohio. The Letter of Credit Bank is a major regional commercial bank offering a wide range of banking services to individual and business customers.

At March 31, 2006, the Letter of Credit Bank had total assets of approximately \$57.681 billion, total liabilities and minority interests in consolidated subsidiaries of approximately \$53.024 billion, and total shareholders' equity of approximately \$4.657 billion. The Balance Sheet from the Report of Condition of the Letter of Credit Bank at March 31, 2006 are set forth on the following pages.

All of the Letter of Credit Bank's capital stock is owned by Fifth Third Bancorp, a publicly-held bank holding company, the common stock of which is registered under the Securities and Exchange Act of 1934. Fifth Third Bancorp files annual and other reports containing audited, consolidated financial and other information, with the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20001-2739, and copies of this information may be obtained from the commission upon payment of copying charges or examined at the Commission's offices, without charge. Each Letter of Credit is an unsecured obligation of the Letter of Credit Bank and not of Fifth Third Bancorp. Fifth Third Bancorp has not guaranteed the Letter of Credit Bank's obligation under either Letter of Credit or either Reimbursement Agreement and is not and will not become obligated in any manner with respect thereto.

The Letter of Credit Bank will supply without charge to any person to whom this Official Statement is delivered a copy of the Fifth Third Bancorp Form 10-K for the year ended December 31, 2005, as well as copies of subsequently filed quarterly and other reports on Forms 10-Q or 8-K, as filed with the Securities and Exchange Commission, upon written request to Paul L. Reynolds, Fifth Third Bancorp, 38 Fountain Square Plaza, Cincinnati, Ohio 45263. Telephone requests should be directed to (513) 579-5300.

The Letter of Credit Bank and Fifth Third Bancorp are responsible only for the information contained in this Appendix and did not participate in the preparation of, or in any way verify, the information contained in any other part of this Official Statement. Accordingly, neither the Letter of Credit Bank or Fifth Third Bancorp assumes any responsibility for nor makes any representation or warranty as to the accuracy or completeness of information contained in any other part of this Official Statement.

Fifth Third Bank 38 FOUNTAIN SQUARE PLAZA CINCINNATI, OH 45263 FDIC Certificate Number: 6672 Web Address: http://www.53.com/	FFIEC 031 Consolidated Report of Condition for March 31, 2006

Consolidated Report of Condition for Insured Commercial and State-Chartered Savings Banks

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

Schedule RC--Balance Sheet

Dollar Amounts in Thousands		
ASSETS		
1. Cash and balances due from depository institutions (from Schedule RC-A)		
a. Noninterest-bearing balances and currency and coin ¹	RCFD 0081	2,248,553
b. Interest-bearing balances ²	RCFD 0071	83,885
2. Securities:		
a. Held-to-maturity securities (from Schedule RC-B, column A)	RCFD 1754	325,998
b. Available-for-sale securities (from Schedule RC-B, column D)	RCFD 1773	13,061,790
3. Federal funds sold and securities purchased under agreements to resell		
a. Federal funds sold in domestic offices	RCON B987	1,056,692
b. Securities purchased under agreements to resell ³	RCFD B989	0
4. Loans and lease financing receivables (from Schedule RC-C):		
a. Loans and leases held for sale	RCFD 5369	713,832
b. Loans and leases, net of unearned income	RCFD B528	34,789,494
c. LESS: Allowance for loan and lease losses	RCFD 3123	352,656
d. Loans and leases, net of unearned income and allowance (item 4.b minus 4.c)	RCFD B529	34,436,838
5. Trading assets (from Schedule RC-D)	RCFD 3545	342,920
6. Premises and fixed assets (including capitalized leases)	RCFD 2145	712,294
7. Other real estate owned (from Schedule RC-M)	RCFD 2150	48,370
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)	RCFD 2130	0
9. Not applicable		
10. Intangible assets:		
a. Goodwill	RCFD 3163	462,028
b. Other intangible assets (from Schedule RC-M)	RCFD 0426	566,446
11. Other assets (from Schedule RC-F)	RCFD 2160	3,621,913
12. Total assets (sum of items 1 through 11)	RCFD 2170	57,681,559

LIABILITIES		
13. Deposits:		
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E, part I)	RCON 2200	26,522,364
(1) Noninterest-bearing ⁴	RCON 6631	6,921,701
(2) Interest-bearing	RCON 6636	19,600,663
b. In foreign offices, Edge and Agreement subsidiaries, and IBFs (from Schedule RC-E, part II)	RCFN 2200	4,998,942
(1) Noninterest-bearing	RCFN 6631	0
(2) Interest-bearing	RCFN 6636	4,998,941
14. Federal funds purchased and securities sold under agreements to repurchase		
a. Federal funds purchased in domestic offices ⁵	RCON B993	3,656,204
b. Securities sold under agreements to repurchase ⁶	RCFD B995	3,194,192
15. Trading liabilities (from Schedule RC-D)	RCFD 3548	218,203
16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases) (from Schedule RC-M)	RCFD 3190	10,275,814
17. Not applicable		
18. Not applicable		
19. Subordinated notes and debentures ⁷	RCFD 3200	824,139
20. Other liabilities (from Schedule RC-G)	RCFD 2930	3,334,458
21. Total liabilities (sum of items 13 through 20)	RCFD 2948	53,024,316
22. Minority interest in consolidated subsidiaries	RCFD 3000	99
EQUITY CAPITAL		
23. Perpetual preferred stock and related surplus	RCFD 3838	0
24. Common stock	RCFD 3230	4,540
25. Surplus (exclude all surplus related to preferred stock)	RCFD 3839	2,053,171
26. a. Retained earnings	RCFD 3632	3,015,999
b. Accumulated other comprehensive income ⁸	RCFD B530	-416,566
27. Other equity capital components ⁹	RCFD A130	0
28. Total equity capital (sum of items 23 through 27)	RCFD 3210	4,657,144
29. Total liabilities, minority interest, and equity capital (sum of items 21, 22, and 28)	RCFD 3300	57,681,559

Memorandum				
To be reported with the March Report of Condition.				
1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 2004		<table border="1"> <tr> <td>Number</td> </tr> <tr> <td>2</td> </tr> </table>	Number	2
Number				
2				

RCFD 6724

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|---|---|
| 1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank | 4 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority) |
| 2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately) | 5 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority) |
| | 6 = Review of the bank's financial statements by external auditors |
| | 7 = Compilation of the bank's financial statements by external auditors |
| 3 = Attestation on bank management's assertion on the effectiveness of the bank's internal control over financial reporting by a certified public accounting firm | 8 = Other audit procedures (excluding tax preparation work) |
| | 9 = No external audit work |

¹ Includes cash items in process of collection and unposted debits.

² Includes time certificates of deposit not held for trading.

³ Includes all securities resale agreements in domestic and foreign offices, regardless of maturity.

⁴ Includes total demand deposits and noninterest-bearing time and savings deposits.

⁵ Report overnight Federal Home Loan Bank advances in Schedule RC, item 16, "Other borrowed money."

⁶ Includes all securities repurchase agreements in domestic and foreign offices, regardless of maturity.

⁷ Includes limited-life preferred stock and related surplus.

⁸ Includes net unrealized holding gains (losses) on available-for-sale securities, accumulated net gains (losses) on cash flow hedges, cumulative foreign currency translation adjustments, and minimum pension liability adjustments.

⁹ Includes treasury stock and unearned Employee Stock Ownership Plan shares.

